MICHAEL A KAHN'S
GOLF COURSE BUYER'S GUIDE

Michael A Kahn, President

Golfmak, Inc.

6051 Sun Blvd

St Petersburg, Florida

941-739-3990

About the Writer - Michael A (Mike) Kahn

Michael Kahn has been in the golf world in some capacity since 1955. He was a Canadian PGA Assistant Professional at a daily fee golf course in Toronto, Ontario from 1958 to 1962. He was hired to open a golf center in Peterborough, Ontario that opened in 1963.

During his years at the Peterborough Golf Center, Michael Kahn learned how to promote and build a vast and loyal golf playing customer base. He achieved it by running learn-to-play-golf classes for over 25-years, His classes introduced thousands of men, women, and children to the game of golf.

Mike remained at the golf center until 1989 when he moved to the USA, eventually settling in St. Petersburg, Florida.

Since moving to Florida permanently in 1991, Mike was involved in all types of golf courses including private, and semi-private golf courses in several US States. Mike has participated in golf course brokerage transactions, finance applications, building plans, and clubhouse design and layout plans. He has consulted hundreds golf course owners and operators all around the USA, Canada and even overseas.

Michael Kahn's company website, Golfmak.com, is one of the original golf course business websites on the Internet. In fact, in 1997 Mike was probably the first in all of golf to promote tee times using an email via an email list server.

Mike Kahn is an expert in every phase of golf course operations from grounds maintenance (once licensed as a superintendent), pro shop management and merchandising, profitable food and beverage operations, membership management, marketing and advertising, point-of-sale systems, budgeting, and planning.

This Golf Course Buyer's Guide reflects Michael Kahn's 60-years years of experience in the business world of golf. He hopes golf course buyers enter the business with their eyes wide open so they can be successful as a golf course owner. By following Kahn's advice, a first-time golf course owner can much more likely enjoy a positive golf course ownership experience.

Mike wishes everyone, "The Best of Luck!, but without needing it.

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ESTABLISH YOUR MISSION

Before you decide to own a golf course, it is important to remember that a golf course is like a 3-week old baby - it needs virtually 24/7 care. I'm assuming you love the game. Therefore, I presume you 're prepared to work long hours - often 7-day-a-week stretches for several months.

You need to be willing to give up long-weekend holidays because those are the days when you can make hay! It's important for you to be aware that, unlike a baby, a golf course never grows out of dependency. In fact, as a golf course ages its care and needs become greater.

In this highly competitive golf business marketplace, it is imperative that you become a hands-on owner. You need to be ready to adjust your thinking as neighborhoods and environments are always changing, which would mean your business needs to change!

For instance, one of the busiest and most prosperous public-play golf courses in the USA relaxed their dress code regulations. Getting rid of 1009-year-old dress codes opened their doors to thousands of casual golfers, who otherwise stayed away because they wanted to be comfortable when they play golf.

That's what I mean by being ready to adjust.

WRITE DOWN WHY YOU WANT TO OWN A GOLF COURSE?

The first thing you need to write down before entering golf course ownership is your mission. You need to know what it is you want to gain by owning a golf course. Here are a few reasons a person or group may wish to own a golf course:

1. Pride of ownership

2. Love the game of golf

3. To change vocations

4. To run the operation like a business, and to make a profit

In my opinion, the fourth reason is the only reason a person or group should invest in a golf course. The first three reasons are, in my view, a scenario for financial disaster. If any of the first three goals are yours, convert your thinking to number four! Reason number four can satisfy the first three goals (round and round we go), but if you make any decisions based on the first three, you're headed down the wrong road. I've seen this mistake over and over: Financial disasters when the opportunity was so promising!

THE MISSION STATEMENT

The first thing you need to understand is that the golf course business is as competitive as any business (even more competitive in the golf course economy of 2016).

QUESTIONS YOU NEED TO ASK YOURSELF

- Am I prepared to learn how to manage a golf course?
- Am I open minded?
- Can I become a competitive golf course owner?
- Can I be patient?
- Can I handle adversity?
- Can I be diligent enough to review my business every single day?
- Can I handle customer criticisms and complaints congenially?

DON'T FORGET; THE BUSINESS MUST BE PROFITABLE

Attracting loyal customers (golfers) at a reasonable price so you can make a reasonable profit must be the cornerstone of your mission. You must be open to learning how to market your golf course.

A golf course needs good greens, good fairways, good tees, and appropriately groomed bunkers to be competitive. It needs to be a reasonable test of golfing skill, not highly penal, and competitively priced in its marketplace. If your target golf course is in a highly competitive neighborhood, the only advantage you may have over competitors will be course conditions and service – and know-how to better advertise and draw more players. You must be prepared to provide the best possible service. Commit yourself to maintaining spotlessly clean surroundings, which must become your essential management and operational rule. You must be prepared to fix problems immediately. Without that kind of commitment, the golf community will leave you and play your competitor.

Therefore, your mission statement should read: My efforts as a golf course owner will be to provide a reasonable challenge, with good greens, good fairways, good tees, good bunkers, clean surroundings and the best service - all value-priced. I promise to mark all the hazards at all times!

> *When I see hazard stakes missing, un-groomed bunkers on Sundays, or poorly cut cups I see a golf course business destined to fail – especially in the competitive marketplace for golf players in 2016.*

MAIN CHALLENGES TO OPERATING A GOLF COURSE

Nature:

Weather, pests, and environmental issues

Service Challenges:

Employees (low paid service personnel are difficult to motivate)

Competition:

Every time a new golf course opens it takes customers away from you

Outmoded:

Aging or shorter golf courses often cannot compete with modern 7,000+ length golf courses

BRIEFLY REVIEWING THE ISSUES

Nature:

Weather, pests, and environmental issues:

Obviously, you have no control over the weather. A drought or a rainy period can ruin fairways and greens. You will face a barrage of pests like mole crickets, fungus diseases, varmints and all sorts of natural attacks. Meanwhile, irrigation restrictions, chemical bans, and other restrictions can tie your hands to providing treatments and cures to support optimum playing conditions demanded by golfers in 2016. For instance, a wall-to-wall mole cricket control treatment can cost from $10,000 to $25,000 and may only be effective for only six months (Mole crickets are one of the most destructive turf creatures anywhere. Failure to control mole crickets devastate a golf course and could cost hundreds of thousands in lost revenue and recovery maintenance. To learn more about this creature, go to United States Golf Association (USGA) to learn more about mole crickets at Internet site: http://www.usga.org/course-care/2012/06/mole-cricket-hatch-21474847163.html.

Service Challenges

Employees (low paid service personnel are often difficult to motivate to make sure your customers are served quickly and politely).

All but your superintendent, golf professional, clubhouse manager, and kitchen manager are among the lowest paid employees anywhere in the workforce. You may always be turning over and training personnel – especially servers, cooks, and bartenders. Grounds maintenance staffing can be particularly difficult to retain, because the pay is low, and their workday starts as early as 5:00 am. You can find it difficult to motivate low-paid service employees to keep them showing up for work, and doing an adequate job. In my experience, paying the highest wages in the marketplace is good marketing! You should attract better and more loyal workers, better resulting, ultimately, in a better product. If you pride yourself on how little you pay your people, I believe you're likely to fail in this business (in my experience). Many of the best-run golf courses have maintained their rank-and-file for several years. In my world, the persons who mow the greens every day, clean the kitchens and washrooms, and put the coffee on in the morning are essential employees at a golf course.

Competition

Every time a new golf course opens for play, it takes business away from you:

Competition from new golf courses grew every year until 2005 when a net loss of 158 golf courses in the USA occurred. Even though there are fewer golf courses in 2016, many private golf clubs that have opened their courses to public play, which, more or less continued the same dilution of play as was occurring before hundreds of golf course closed – mostly after 2005. Most studies on the growth golf in the USA indicated slowing trends, then stagnant growth in player participation beginning around 1990, but became far more evident by 2000 - yet over 3,000 golf courses had been built since then.

It's not rocket science: Adding 3,000 additional golf courses during a period when growth in golf had plateaued simply meant fewer golfers per golf course.

The trend since 2012: New golf course development has slowed to a trickle. There are golf courses available in 2016 for less than 50% of the cost to create them twenty years ago. That's why I say, "This might be the best time in history to buy a golf course!"

But talk to me first! Many 2016 golf course bargains are real 'money-pits' that will eat you up. I can help you spot the lemons – golf courses with nowhere to go but further down.

Outmoded:

Golf courses can be like a growing child's shoes. They fit the golf players, golf balls and golf equipment of the 1960's but not in 2016.

Golf course redundancy is a recent realization in the golf course business. Many golf courses more than 40 years found that they are too short for today's 300+ yard drives – evidenced by their 250-yard practice fields that cannot contain the long hitters today. Therefore, many golf courses may need to be redesigned to add distance. Due to advances in golf equipment and golf balls, owners of older golf courses feel a need to add yardage to provide the same skill test they did when they opened 40-years ago. It's sad, in a way: For instance, the golf course industry is learning that sub-6,200-yard golf courses, even though they are more enjoyable for 99% of all golfers, and often more profitable than the 7,400-yard courses are felt to be obsolete in 2016.

> *Most monster-length golf courses were built after 1980. They advertise themselves by touting their total length from the back tees, which are seldom never used.*

The redundancy factor: Modern golf equipment (clubs and balls) have rendered many older golf courses to be considered obsolete (unfortunately, often considered to be non-competitive in a market surrounded by newer, longer golf courses). Golfers sometimes shift around like a school of fish - attracted to the newer golf courses out of curiosity. However, new faster greens, smoother wider fairways, and up to five sets of tees can make the more modern golf course more appealing to a broader range of golfer skills. Most golf courses created 40-years ago may only have two sets of tees: man's and ladies and don't have the extra space (land) needed to add more length and more tee boxes.

Remember Kahn's rule: New golf courses don't create new golfers; they take golfers from other golf courses.

As a potential buyer of a particular golf course, you may want to take a hard look at it regarding redundancy – especially if your desire is to own a real championship level golf course. However, don't forget: If you intend to make money as a golf course owner, some of the busiest tee sheets in golf are golf course under 6,500 yards in length.

Review all aspects if you fear the golf course is too 'short' to suit what you want. See if the layout can be retooled to meet what you feel will make the golf course more competitive in 2016. Even though 99% of all golfers will never play the course at 7,000-yards, you may still need to advertise the course as stretching to over 7,000-yards.

I have seen 7,000+ yard tee boxes (usually black markers) whereby the grass is always absolutely perfect because nobody plays from the back tees. At most golf course I have observed, most golfers play from the shorter white tees usually measuring around 6,000-yards. Keep in mind, the additional real estate needed for that extra 400 yards (at least 20-acres) may well be a total waste of a valuable land asset!

YOUR COMMITMENT

It is imperative that your commitment to managing the golf course you plan to own is sincere all the way.

YOU ARE ABOUT TO BECOME A MULTIFACETED 8-IN-ONE BUSINESSPERSON:

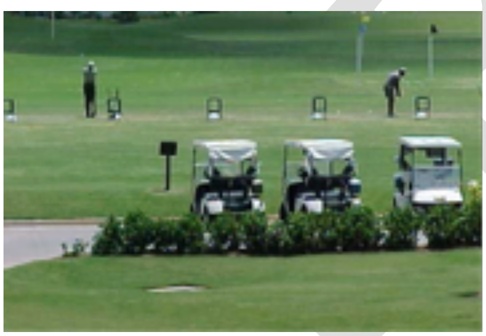
1. A RESTAURANT OPERATOR You'll be in the food and beverage (F&B), or restaurant business. Keep it simple. F&B can be highly profitable, but don't try to be everybody's restaurant, because you cannot and will never compete with 'Outback Steakhouse.' In my

experience, a 'ton' of money can be earned from food and beverage by sticking to a simple menu - deli-style sandwiches, burgers, hot dogs, fries, wings, and salads. Meanwhile, get used to the government in your face (health, fire, and safety, etc.). Try to be in the "PURE" golf business.

2. A RETAIL MERCHANDISER You're about to become a retail merchandiser (golf pro shop). We had a saying a few years ago, "The banker won't take golf clubs, golf shirts, or golf shoes as mortgage payments!" Too many merchandisers are paying taxes on profits still sitting on the shelves of unsold merchandise. You need to learn how to merchandise seriously. Find out how to manage markdowns and clearance sales. Make the customer data you collect work for you with Reminders for Birthdays, Mother's Day, Father's Day, and Christmas Sales. When unsold inventory sits on the shelves for long periods - I call it 'Dead Inventory' - it costs you money because it is your cash tied up when it could be working for you elsewhere. Dead inventory is shrinking in value by cutting into your margins every minute it goes unsold.

Let me help you with your merchandising plans. I was among the best at it because I had one of the most profitable merchandise businesses in all of golf. My year end P&L came out around 40% margin with my spring opening and winter closing inventory almost the same value. It meant my change in inventory over my 200-day golf season was 100%. Not 5% of my closing stock sat for over 6-months on the shelves.

3. A DRIVING RANGE OPERATOR: You'll likely become a driving range operator. There are ways to make the practice range a contributor to the P&L, but it can also be a drag. These days (2016) golfers expect golf course to provide a practice or warm-up facility. It's to your distinct advantage if your customers are hitting better range golf balls off better turf conditions.



The practice range issue is a major bug with me. Too many operators give the range little more than lip service. Clean, quality range balls and decent practice turf is a must. I ran a range for almost 30-years, and we made good money every year!

Talk to me about the practice range.

4. A PSYCHOLOGIST: You'll need to become a psychologist as your own Membership Director. (Many clubs hire an experienced membership director as part of their management team). Memberships are declining almost everywhere in the country in 2016. You want to hold them as best you can, but you cannot let your members dictate policy – which is where good psychology can be in your favor.

I learned the secret of member-management many years ago. It takes skill and knowledge to keep the membership on your side rather than becoming your adversary, which I have observed at golf clubs everywhere. Talk to me about managing your member roster.

5. A FARMER: As a golf course owner you will become a quite sophisticated farmer (turf manager, or Superintendent). The difference with 'farming grass' is that you're mowing it virtually every day during the growing season. You need to be aware of cutting heights, machinery maintenance, soil moistures, fertilizer formulas, and maintenance employee issues.

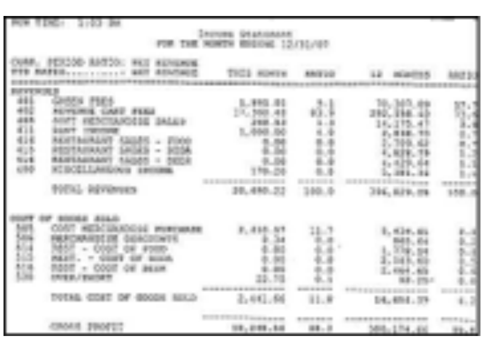
Believe me: Playing conditions (turf conditions) are Paramount to the success of your golf course business! You need to know your turf issues as well as your superintendent. The best player-service in the world won't mean a 'hill of beans' if your greens and fairways are in poor condition. You need as many people playing your golf course as you can get. If the golf course is weedy, diseased, or not thoroughly groomed for play every day, you will experience a reduction in play (business). What's worse: When you lose a golf player due to poor conditions, it can take forever to win that golfer back.

I was a licensed superintendent in Canada. I felt maintaining a golf course for customers was one of my most valuable assets. I have rules for you to follow that will help keep your golf course perpetually competitive.

6. A MARKETING AND ADVERTISING EXPERT: You will become an advertising and marketing person (you better learn how to write and place an ad, because marketing and advertising are crucial in today's (2016) highly competitive golf course business. Learning and Developing marketing and advertising skills are the most important single function you will have in today's golf business marketplace. Become internet savvy. Learn to use Facebook and Twitter. Make sure your website is up-to-date. Build your database of your customers you can communicate with to promote business – like merchandise sales, or menu specials. The interaction between you and your customers through your website, Facebook, and Twitter keeps the name of your club at the forefront – the number-1 goal in advertising.

I know how to write and book newspaper, radio and TV advertisements. I understand the power of social marketing. In fact, I was the first in all of the golf business to promote tee times using email – way back in the 90's.

7. A PSEUDO ACCOUNTANT: You need to be your accountant (or be able to think like one). If you're going to own a golf course, there is one thing you must do every single day: Watch rounds and revenue activity and compare it to business history. You're looking for trends in rounds, income, or even sales ratios based on attendance (I can explain all that as your adviser). You need to be able to review and understand the balance sheet. Following trends is crucial as you watch your golf course perform financially. Today's available Point of Sale



(POS) and Accounting Programs are vital for monitoring a golf course business today. A good system will be highly user-friendly and should make you more money if you use the data they can collect for you. The best systems can integrate with your back-office accounting software. They are also connected via the Internet for 24/7 online tee time booking availability. There are now several excellent systems out there - some better suited for daily fee courses, some better suited for private country clubs.

I know what you should look at in your numbers every day. I also know what you should look for in cash management to reduce shrinkage - outright theft.

Associate, Bill McIntosh, I have overseen the installation of several different makes of point-of-sale systems and online tee sheets for the daily fee and member-driven golf courses. We look for systems that are uncomplicated, user-friendly, and offer a fast, reliable troubleshooting service.

8. A PERSONNEL OR HUMAN RESOURCES MANAGER: You need to learn how to manage employees - many of whom are on the lowest end of the pay scale. Turnover will be frequent unless you learn how to handle your employees. Theft, tardiness, and performance indifference is often prevalent. If you have more than ten employees, you should consider hiring a Professional Employment Organization (PEO) to manage payroll and take responsibility for employee liability issues – seemingly more frequent these days (2016). Believe me, employee problems and your protection are of vital importance in today's employee environment.

Believe-it-or-not, I believe the minimum wage employees to be the most valuable employees at a golf course. In fact, a golf course cannot survive without a steady rank-and-file workforce. As your adviser, I can suggest tips I've used successfully followed that you can also follow to keep them coming to work and performing better for you and your customers – subject to employment laws in your State or local county.

WHAT CAN YOU AFFORD TO BUY?

If you want to own a golf course, you need to find out what you can afford to buy.

Assuming you will need financing (if you don’t, you’re probably not reading this guide), you need to immediately put together a personal financial statement that a potential lender, like a banker, can verify. If you require institutional financing, you’re not likely to be able to borrow much more than 60% to 70% of the purchase price of a golf course property. In fact, you can expect an institutional lender will require your personal guarantee (recourse) to back up the financing. Recourse means you are guaranteeing the loan personally, which means if you fail as a golf course owner you could also lose your house and everything you own (I’ve seen it happen).

Don’t forget that you might obtain financing from a golf course seller. It’s not a bad idea to try that approach, as the costs of getting the loan may be less, because the seller won’t need an appraisal, or a new survey – expenses often paid by you the buyer.

I have completed several golf course sales transactions whereby the seller agreed to hold a seller mortgage. Seller-financing is less ‘institutional’ and can be more flexible during tougher periods of business because individuals can be more flexible that a brick-and-mortar institution.

Even if you pay cash for the chosen golf course property (best scenario because you avoid annual debt service expenses), but you'll still need to fill out hundreds of credit applications for your various suppliers and services. For certain, supply sources for Titleist Golf Balls, Toro Machinery, and Cisco Foods, etc. will want financial information on you to establish your credit (unless you plan to do business on COD, which means you've got more money than brains and didn't need to read this stuff). If you're hesitant to qualify your financial affairs, you'll create a roadblock to your golf course operations. You absolutely must build trade credit, because you'll need everything from irrigation repair parts to ground beef from up to as many as 100 different supply and service sources to support a golf course business. Without established credit, you simply won't be able to operate properly. Don't be surprised if many suppliers put you on temporary COD (and do not be insulted if they do) until you have established your credit with them. Obviously, until you establish trade credit, you will need additional operating capital to pay for stuff like merchandise, soft drinks, toilet paper and various repair parts. That’s why I highly urge you to have lots of operating cash available the day you take over a golf course.

BE HONEST WITH YOURSELF: You need to identify what cash you have available for your down payment – if financing is a component. You also need assurance that you’ll have plenty of operating capital to address the hundreds of surprises you'll encounter during your first six months of ownership. Believe me, no matter how careful your diligence, you will encounter unforeseen expenses. Failing to address the operating capital issue is the number-one mistake first-time golf course buyers make. Many unprepared first-time golf course owners run into deep financial trouble very early into ownership.

Here's the Mike Kahn Golf Course Buyer’s Cash-On-Hand Formula:

You need to be sure you have plenty of operating capital available immediately after the close, or at the moment of possession. I try to warn golf course buyers to avoid highly leveraged acquisitions where they can be wiped out in one rainy month (I’ve seen it happen). I recommend planning to put 70% of your available cash toward the purchase (your down payment) including closing costs etc., and keep aside 30% in cash available for operating capital (if you are a borrower, a banker wants to see you with sufficient operating funds on hand too). Remember the older the golf course, the more you could need available in cash or operating capital due to the nature of older golf course infrastructure demands.

ILLUSTRATION OF A PURCHASE OF A $3.2 MILLION DOLLAR GOLF COURSE:

PURCHASE PRICE	**$3,200,000**
Buyer's cash	$1,500,000
Purchase price	$3,200,000
Buyer's down payment	$1,000,000
Lenders fees and Buyer's Survey and Appraisal	$70,000
Balance to be financed	$2,270,000
Buyer's other out-of-pocket expenses	$85,000
Buyer's remaining cash at time of possession	**$415,000**

Figure 1: Showing a Buyer's use of cash to buy a $3.2 million golf course

- The subject golf course may be located anywhere in the USA.
- Buyer has $1.5 million in cash available and plans to put $1 million as down payment and finance $2.2 million of the purchase with a bank.
- Buyer's expenses to satisfy the lender are sometimes included in the loan principal

The $2.27 million in financing at 6% with a 20-year amortization will carry at $16,263 monthly, or $195,156 annually (debt-service).

It is good advice for you to aim for a debt service ratio (DSR) of 2, which means the business has net operating income equal to twice annual debt service. For this illustration, the example golf course has earnings of over $400,000, which is slightly more than twice annual debt service shown above, or a debt service ratio (DSR) of slightly over 2. (In my experience the bank's DSR threshold is 1.2 or 1.3.

> *I was hired by an owner to help a golf course in foreclosure because it had an eight consecutive month period where its DSR fell consistently below 1.3, which triggered foreclosure proceedings according to a clause the mortgage loan document.*
>
> *I'm happy to note that I was completely successful in saving the principals from losing their golf course. In fact, we improved business substantially enough to attract a buyer who paid handsomely for the property.*

ITEMS YOU NEED TO BE AWARE : For the example golf course, we made it an older one, built in, say, 1965, that includes a refurbished and fully conforming clubhouse. We gave it an updated automatic irrigation system. The golf course greens and fairways are in reasonably good condition. Included in the sale (traditionally): Maintenance Equipment and Machinery, All Furniture and Fixtures, Inventory of Consumables and Merchandise, etc. The buyer normally assumes all leases, permits, and appropriate ongoing agreements. Buyer may need to re-apply for various licenses and permits as the new owner.

The transaction is to take place in 2016. During the buyer's diligence, it is learned that most of the golf course maintenance machinery is aging – evidenced by most of the essential mowing machinery showing hour-meter readings logging well over 3,000-hours. Therefore, some machines, though still operating, are going to need to be replaced within the next 24-months. Remember, some everyday sophisticated mowing machines run upwards of $50 to $60 thousand in 2016. Many experts recommend budgeting 20% replacement cost for golf course maintenance machinery every year – for a normal machinery list of over $500,000, figure $100,000 a year toward the maintenance machinery capital budget.

Our example golf course it is learned that the last new clubhouse roof replacement occurred more than 20-years ago. Therefore, as the new owner, you'll need to be prepared to replace the clubhouse roof – likely within five years – a $50,000 capital expense.

That's $3.2 million to buy the course, including up to $1 million down, $2.270,000 in bank financing including closing costs, plus $85,000 in buyer expenses and immediate post-possession-day expenses, leaving approximately $415,000 in cash on hand upon taking possession of the golf course.

PURCHASING A $3.2 MILLION GOLF COURSE WITH $1.5 CASH ON HAND PAYING $1 MILLION DOWN AND RETAINING $415,000 IN POST-CLOSING CASH ON HAND AFTER CLOSING

Buyer's original cash on hand		**$ 1,500,000**
Purchase Price	$ 3,200,000	
Down Payment		$(1,000,000)
Amount Financed (includes closing costs)	$ 2,200,000	
Buyers Expenses by end of week-2		$ (85,000)
Buyer's Post Closing Cash - beginning week-3		**$ 415,000**

Figure 2: Simple Illustration of the $3.2 Million Golf Course Sale with $1 Million Down Payment

Here's what you may need in cash:

> USING THE ABOVE EXAMPLE, Figure 2, YOU HAVE $1.5 MILLION IN CASH AVAILABLE: - *You can likely buy the $3.2-million golf course by obtaining 70%, or $2.2 million in financing. You should have been able to include all the closing expenses within the $2,2 million mortgage loan. Therefore, after you've purchased the golf course, subject to closing adjustments, etc., you should have 'most' of your $500,000 remaining out of the original $1.5. I say, 'most' because you may encounter some, or all out-of-pocket expenses for an updated appraisal, an updated survey, engineering inspections of the clubhouse and outbuildings, an environmental inspection, your legal fees, and third-party diligence fees to experts like me, Mike Kahn. You will also be paying up-front deposits toward utilities and some essential services immediately after the closing. You'll also need to be prepared to meet your first payroll within 7-days of possession as well. Therefore, your $500,000 in post-closing cash reserve could be around $415,000 soon after the day you take possession.*

AS BUYER, YOUR COSTS TO OBTAIN FINANCING, PLUS TRANSITION EXPENSES ADD UP (Estimates only. Your results may vary):

BUYERS EXPENSES INCLUDING INSTITUTIONAL FINANCING COSTS		
$	25,000	updated survey
$	40,000	lender's points
$	5,000	new or updated appraisal
$	15,000	legal expenses
$	15,000	expenses to obtain licenses (like liquor)
$	20,000	Utility deposits
$	25,000	closing adjustments for personal property and inventory
$	10,000	miscellaneous diligence costs
$	**155,000**	**Total of all buyer's costs**

FINANCE EXPENSES THAT MAY BE ADDED TO THE LOAN PRINCIPAL		
$	25,000	updated survey
$	40,000	lender's points
$	5,000	new or updated appraisal
$	**70,000**	**Total lender expenses added to and included in the loan principal**

BUYER'S OUT-OF-POCKET EXPENSES AT CLOSING		
$	15,000	legal expenses
$	15,000	expenses to obtain licenses (like liquor)
$	20,000	Utility deposits
$	25,000	closing adjustments for personal property and merchandise inventory
$	10,000	miscellaneous diligence costs
$	**85,000**	**Total lender expenses added to and included in the loan principal**

USE OF BUYER'S FUNDS: PURCHASE PRICE $3.2 WITH $1 MILLION DOWN		
$	1,500,000	Buyer's original cash
$	(1,000,000)	Buyer's down payment
$	(85,000)	Buyer's out-of-pocket expenses
$	**415,000**	**Buyer's remaining cash after closing**

The above is an illustration to show a golf course buyer's expenses to buy a golf course and obtaining institutional financing. Individual results vary.

Figure 3: Illustration of Buyers Expenses Including Immediate Post-Closing Expenses

POST-CLOSING OPERATING CASH FOR THE $3.2 MILLION DOLLAR GOLF COURSE: $415,000

The $1,000,000 down payment plus all other expenses up to and immediately after the closing, can add up to $155,000. However, many lenders fees and points to obtain your $2.2 million mortgage loan will include them in the loan principal. According to the example illustrated above, Figure 3, the result leaves the buyer with $415,000 remaining of the buyer's original $1.5 million at the beginning.

> *I have brokered several seller-financed golf course transactions. Helping to determine the appropriate down payment is one of my services. I help buyers and sellers work out an appropriate seller-finance transaction to the comfort of both sides. However, as a buyer, you still need to treat the seller's financing much like you would like a banker. It's best that you properly and honestly qualify yourself to be a capable borrower if the seller is to become your mortgage your banker.*

Closing costs, diligence expenses and operating reserves are stated in Figure 3 above beginning with $500,00 in cash available over and above the initial down payment, then leaving an estimated $415,000 remaining after the closing (day of possession). As indicated in Figure 2, if you need institutional financing you'll need to prepare for unrecoverable out-of-pocket expenses.

- legal costs,
- possibly an independent feasibility study,
- environmental reports,
- a third-party business plan,
- an updated survey,
- an updated appraisal

Borrowing expenses can run the cost of obtaining financing up to $70,000 or more.

However, if a buyer is lucky enough to obtain Seller Financing, many expenses institutions require are likely not required by the Seller - who knows the property.

WARNING! Golf courses more than twenty years old can become 'money pits' for inexperienced buyers (In my opinion and experience, a golf course ages ten years to one in human terms). Therefore, a twenty-year-old golf course may have the health equivalent of an average 100-year-old man *(wading through all of these issues is what I do in diligence work for my clients)*. For instance, the average life span of an irrigation system is between 15 and 20 years. An irrigation system installed before 1995 is likely all but ready to be replaced in 2016. Sure, it still works, but the pump station is usually ready for a complete overhaul within twenty years of its original installation – a $25,000 to $125,000 refurbishment expense – depending on several factors that only an irrigation specialist can determine!

Replacing forty-year-old irrigation systems with the newest fully automatic systems will cost up to $1.5 million or more, but might begin paying for themselves almost immediately due to new high-tech efficiencies new systems can provide. With fertigation systems built-in, they have the ability to deliver nutrients and disease preventatives directly through its irrigation lines.

Better irrigation deals are out there in 2016. With fewer new golf courses under construction, some irrigation companies are offering financing to spread out the expense faced by older golf courses badly needing to update their irrigation systems. Savings could offset carrying costs for financing a new irrigation system in several ways such as automatic fertigation systems, and by providing better playing conditions - attracting more business.

SO, YOU'VE GOT A MISSION STATEMENT, YOU'VE GOT THE MONEY, YOU CAN BEGiN YOUR SEARCH…

SO, YOU'VE PREPARED YOUR MISSION STATEMENT, YOU'VE GOT THE MONEY; YOU CAN BEGIN YOUR SEARCH…

SELECTING A PROPERTY. WHERE DO I LOOK?

To be blunt, you need to be prepared to relocate if you are serious about owning and operating a golf course. Amazingly, many of my clients want to own a golf course within a few miles from home. However, I explain that there are only about 17,000 golf courses in the United States - a relatively small number when you learn the USA has over 300,000 restaurants. What I'm saying is that, if you are sticking to business (choice four above) you'll have to be ready to move to the best opportunities. There are three primary regional locations in the USA and Canada you might consider buying a golf course (these are terms I devised):

1) The Freeze Zone

2) The Shoulder Zone

3) The Tropics and Desert Zones.

Let's sort these out:

Freeze Zone: Where the ground is frozen over for a long enough period that you need to drain your irrigation lines – for instance; places like Saginaw, Michigan, Milwaukee, Wisconsin, Toronto, Ontario, or Butte, Montana. Most golf seasons in these areas run about 200 days. Golf course buyers usually don't favor Freeze Zone golf courses because of the cold winter weather. However, many snow-country golf courses allow the owners get to spend their winters in Florida or Arizona. In my experience, many of the best golf course opportunities are where it snows!

Shoulder Zone: The ground never really freezes beyond a few inches, but during the midwinter months many golf courses briefly close down, and often the summers are even hotter than Florida. You'll find shoulder zone golf courses like in places like Virginia Beach, Virginia, Amarillo, Texas, or Nashville, Tennessee. A golf course in, say, Asheboro, North Carolina will have two comfortable periods we call the 'shoulder seasons' - April, May, and June, then September, October, and November. The summer months are oppressively hot and humid, and the December through March months when temperatures become cold enough to form ice on their water features and killer morning-frosts. Most shoulder region golf courses close only briefly during an occasional snow cover.

Tropics and Desert Zones: In the tropics and deserts you're in business all year around, but the summer months can be ever so hot. Places like Phoenix, over 100-degrees, Fort Lauderdale, over 90-degrees and humid, and Corpus Christi, where 100-plus-degree temperatures are typical can make maintaining green and healthy turf a stiff challenge. For instance, a golf course in Sarasota, Florida operates 365 days a year. The peak revenue period runs from January 10 through April 30 (or Easter). Either side of those days, it's more of a locally competitive market, because the tourists have all gone north either side of the main revenue periods. Enduring 90+ temperatures every day from mid-June to the end of October, many Florida golf courses drop fees to as low as $10.00, including a cart to maintain at least some cash flow.

I have argued that Freeze zone golf courses can be better businesses, because when the land freezes, the golf course can close tight and reduce expenses to the bare bone. Conversely, Tropic Zone golf courses have maintenance demands that are much greater during the long hot summers including endless mowing, varmint attacks, hot-weather diseases, torrential rains and severe drainage issues. A typical Florida golf course runs cash flow negative from May through November (I know, because I've managed Florida golf courses from Fort Myers on the Southwest Coast to Jacksonville on the Northeast Coast).

In my opinion, June and July are the best periods to negotiate the purchase of a Tropics Golf Course for instance; Florida, Texas, Arizona, South Georgia, Louisiana, Alabama, and Southern California. Tropic golf courses sellers are often ready to accept aggressive purchase offers while cash flow is negative.

THIS IS IMPORTANT: NOTHING WRONG WITH A FREEZE ZONE GOLF COURSE!

In my experience after brokering golf course sales since 1992, too many prospective golf course buyers turn up their noses when presented with freeze zone golf courses (like Chicago, Detroit or Toronto). However, I've operated golf courses in Chicago, Detroit, and Toronto, in the North, and Georgia, and Florida, for instance, in the South. In my experience, Northern golf courses were more profitable, because of their short seasons (usually approximately 200-days), but have more prime time hours available during the premium fee periods. I point out to potential golf course buyers that during peak season in Chicago, for instance; June, July, and August, they have more hours of valuable prime-time tee times to sell. A Chicago tee sheet runs from 6:30: A.M. to 4:30 P.M., or up to 10-hours a day, a daily capacity of 320 prime-time golfers based on a 32-player-per-hour tee sheet. A golf course during peak season in Florida - the months of mid-January, February, March, and to mid-April - has only 6-hours of prime time tee times, 7: a.m. to 1: P.M., (because it's dark as early as 5:30 P.M). Therefore, a Florida golf course has a daily capacity of only 192 prime-time golfers daily based on a 32-player-per-hour tee sheet – 128 fewer per day than the Chicago golf course.

The chart, Figure 4, indicates that the Chicago golf course with over 16-hourse of playable daylight in July has 28,880, potential prime time player rounds available during its peak season. A Tampa golf course with only 11 ½-hours of playable daylight on January 10 has only 17,280 player rounds to sell – 11,520 fewer. Therefore, calculated at an equal daily fee of, say, $60.00, the Chicago golf course' 40% more prime time tee times than the Tampa golf course has

$691,200 greater potential green fee revenue during its prime-time period than the Tampa golf course.

Not only does the Chicago golf course have more prime-time revenue potential, but its ratio of income to expenses can also far greater than a Tampa golf course.

COMPARING EQUAL 90-DAY PRIME TIME PERIODS
TAMPA, FLORIDA : FEBRUARY-MARCH-APRIL WITH CHICAGO, ILLINOIS: JUNE-JULY-AUGUST

Golf courses in	Tampa, Florida	Chicago, Illinois	Difference	%
Time slot periods	7: AM - 1: PM	6:30: AM - 4:30: PM		
Available Daily tee time hours	6	10	4	40%
Tee sheet setting per hour	8	8	-	-
Potential players per hour	32	32	-	-
Potential players rounds per day	192	320	128	40%
Equal Number of Prime Time Days	90	90	-	-
Potential Available Player Rounds	17,280	28,800	11,520	40%
Comparing Equal Green Fee at:	$60	$60	-	-
Potential Daily Revenue	$11,520	$19,200	$7,680	40%
Total Potential Revenue	$1,036,800	$1,728,000	$ 691,200	40%

Figure 4: Comparing North-South Golf Courses Prime Time Potential Based on Five Hour Rounds

Operational expenses at northern golf courses will have higher peak-season payrolls than a Florida golf course during its peak period due to the longer days. However, in Florida, operational never get to rest, because the Tropic expense period is 365-days a year.

I've compared 18-hole maintenance budgets between golf courses around the Great Lakes with golf courses around the Gulf of Mexico. Generally, in my experience, Gulf region expenses run from 50% to even 200% higher than Great Lakes golf course maintenance budgets.

SO, YOU'VE MADE UP YOUR MIND TO OWN A GOLF COURSE

The first place you want to go to find golf courses for sale is to www.golfcoursesforsale.com. You can also call me, Mike Kahn, Golf Course Sales Associate with Prime Sites USA, LLC.: 941-739-3990, or email: mike@golfmak.com and we can get started. I have over 50-years of golf course business experience to work for you.

THE CONTRACT – PURCHASE AND SALE

THE LETTER OF INTENT (OR MEMORANDUM OF UNDERSTANDING)

You might want to establish an understanding of the deal before you write the contract to buy the golf course in your sights. The intent of both parties (buyer and seller) can be established with a letter of intent (LOI), which is usually stated as non-binding at this stage. The document merely sets out the understanding between the two.

The LOI more or less says, “I will sell you my golf course for ‘X’ amount of dollars, and you state, subject to your diligence, that you have an interest in buying my golf course based on my asking price.” There’s usually lots more than that, and it usually includes a phrase similar to, “Non-binding on either party.”

In essence, the buyer, you, is asking what is exactly for sale, what's the price, and what do I get with the property, etc. I often consider the LOI equally essential to the process as the purchase contract. Although a letter of intent may contain the words, 'non-binding' it still can be an important document in the deal if it contains intentional falsehoods from either party. We have a few one-page LOI boilers on file, but as time goes by, they are becoming more and more detailed - thanks to the attorneys, which I highly recommend you retain one very early in the intent to purchase phase.

SAVE TIME AND MONEY: ELIMINATE THE LOI I often suggest going directly to a purchase and sale agreement (PSA) or contract stating the price and terms that address your interests! It will save time and an unnecessary layer of legal expense.

If you, as the potential buyer, will need financing, and with financing so difficult today (the year 2016), there are great bargains are out there, but they are also difficult to acquire with institutional or bank financing. As I indicated above, I often recommend going straight to a PSA contract and then immediately delve into your due diligence. You'll know fairly quickly whether you wish to own the property (especially with my help). You'll also save on legal costs by going directly to the PSA, because, as stated above, the letter of intent will cost you a layer of legal expense that is probably unnecessary (figure at least $5,000 in legal work just for the LOI). I also believe the intent of the two - buyer and seller - can begin verbally first - provided a contract is presented as timely as reasonably possible.

YOU NEED A CLEAR AND EASY EXIT: I believe you, the buyer, must insist on the ‘ONE-CLAUSE’ condition in the PSA, to be your clean and easy exit if you decide not to buy the subject golf course. I recommend that the clause below, I call, *'THE ONE CLAUSE'* becomes part of every buyer's purchase and sale agreement:

THE ONE CLAUSE:

"In the event any aspect of the investigation, inspection review of the property is not acceptable to Buyer, as determined by Buyer's sole and absolute discretion, then Buyer may terminate this Agreement within the Inspection Period by providing verifiable notice to Seller and/or to Seller's Real Estate Broker (if brokerage is involved) of Buyer's desire to terminate, whereupon Buyer shall receive a return of the deposit and all money paid hereunder, and the parties shall be released from all obligations hereunder."

With above clause as part of the PSA, there is no need for a finance contingency, or any 'escape' contingencies – provided the termination notice is delivered before the end of the stated diligence period. Of course, be sure to consult your attorney to make sure the clause is properly worded.

MY TEAM CAN HELP GUIDE YOUR DILIGENCE

When I'm part of the buyer's diligence team, I can sit in and assist the buyer's attorney in preparing the Purchase and Sale Agreement (PSA), or the Letter-of-Intent (LOI) if the LOI is your chosen strategy. In fact, as I am a golf course expert, and few attorneys have experience with golf course sales transactions, I often point out critical issues that are not as apparent to everyday real estate attorneys. I believe it is important that, as the purchaser, you don't represent deeds or actions that the seller could throw back at you. With lawsuits running rampant, a seller could charge you with tying up his property, or worse, that you let out secrets about his property that the seller considered proprietary. With my experience in $ millions in golf course sale transactions, I can advise you, as buyer all the way to the closing!

THE OFFER TO PURCHASE

WHAT I CAN DO FOR YOU:

I have participated in the writing of many golf course PSA contracts (To name a few: Orange Park Country Club, Jacksonville, Florida; The Ravines Golf Resort, Jacksonville, Florida; Fox Ridge Golf Club, Dyke, Iowa; Olde Point Golf and Country Club, Hampstead, North Carolina; Eagles Golf Club, Tampa, Florida; Oak Ford Golf Club, Sarasota, Florida; Cypress Hills Golf Course, Marshall, Texas). As a golf course buyer, having me, Mike Kahn, at the table is like having a general from the opposing army assisting your strategy because I know all about golf courses. As you prepare the PSA, I can sit in with you, the buyer, and the attorney under my service contract to provide my experience to help draft the PSA document. I aim for various protections in the PSA for you, as the buyer to avoid 'boxing' yourself into issues that can become sticky points further down the road.

Let's face it. If you and the seller have agreed to the basic price and terms the seller's interests become the same as yours – ***let's get the deal done.*** Like you, he wants the best deal! However, golf courses are highly complex properties and businesses. Assume the seller knows negative things and is not prepared tell, so you've got to find and confirm everything yourself. As they say, *"Business is Business!"* For instance, there can be many deferred issues you simply cannot see on the surface. When I'm your adviser, I'm like your drug sniffing dog. I can uncover issues that you should know about to help you in your final decision – whether to close or walk. I know many brokers are not happy seeing me working for a buyer because they know I can be a deal-killer (a life-saver for you) because I won't withhold information I find that the seller won't tell you.

The offer to purchase a golf course property can be up to 100 pages in (apparently, attorneys need the work). However, with so many licenses, permits, easements, leases, and service contracts, etc., the contract needs to be as accurate as possible. Every piece of equipment, every inventory item to be included in the purchase price needs to be clearly spelled out.

Don't forget, notwithstanding the *'one clause,'* you may wish to insert a finance contingency into the PSA – especially if the 'ONE CLAUSE' is not to be part of the contract. A finance contingency can protect you if you cannot close because a lender won't finance the golf course on terms that are satisfactory to you.

Remember, you need to make certain that you can get 100% of your earnest money back upon withdrawing from the deal – whether you obtained financing or not. The earnest money deposit must be clearly defined and fully protected from a third party source like a title company in case the property fails your diligence or your finance request.

I know I recommend the 'One Clause' in the PSA in case you decide to withdraw from the purchase. However, sometimes a failed finance application can become a tool to negotiate a better deal for the same golf course because the lender's diligence may determine the purchase price is too much. Therefore, a failed finance application may be alert that the deal is not right for you.

IMPORTANT THING TO KNOW ABOUT INSTITUTIONAL LENDERS:

Keep in mind, the institutional lender's primary concern is what they perceive as the ability of the business to repay the loan, or subsequently, an exit strategy for the bank to recover its loan in some other way if the business fails. Sometimes, if a golf course loan application is turned down, and it's not turned down because the bank doesn't do golf courses, as I indicated above, it may be a signal that it's a bad deal for you.

As indicated above, the Buyer and Seller will select a mutually agreeable arms-length place to hold the earnest money deposit.

Me. I insist that the one clause should be in the PSA contract as an 'all-perils' escape for you from the deal for any reason, which you are not obliged to reveal to the seller.

HOW MUCH SHOULD I OFFER?

Don't be surprised if the seller's asking price is unreasonable – especially these days (2016). If the seller has owned the golf course for more than ten years, don't be surprised if the asking price based somewhat on what the seller originally paid for the place. In fact, many sellers will staunchly cling to their out-of-date selling price in the face of reality (in 2016).

The reality in 2016: A golf courses that traded for $9.2 million in 2004 sold for $3.3 million ten years later in 2012. A Daytona, Florida, golf course sold for $3.6 million in 2008, then for $1.2 million in 2013.

You should only to make an offer for a golf course that addresses the real value of the property as it addresses your interests, and your financial capabilities (I can help you determine that).

SOMETIMES YOU NEED TO SEE IT THROUGH A BANKER'S EYES:

As I indicated earlier, banks and institutional lenders lend money on golf courses based on the ability of the business to repay the loan. If a golf course makes no money, it may be all but worthless in the eyes of a lender because it cannot pay the mortgage. Many golf course sellers are taking a financial bath in 2016 - the result of too many golf courses and too few golfers. Overbuilding golf courses has been eating up rounds and revenue per golf course and wiping out profits. In fact, I believe at least 50% of all golf courses in the USA either barely broke even or lost money in 2016.

Sure! There are golf courses out there with lots of potential, but many golf courses are destined to disappear because the feasibility study indicates that upside is unattainable. An estimated 1,000 golf courses have failed and closed their doors for good in the USA since 2007.

I believe you need to conduct a full feasibility study for the subject golf course on your radar because its neighborhood may have changed substantially since the course opened several years past.

My colleague, Bill McIntosh, and I can help you conduct a feasibility study for the golf course you have on your sites. We know certain demographics have proved to support a golf course business – and some that are directly the opposite. If Bill and I are hired to conduct your feasibility and diligence, we detect neighborhood idiosyncrasies the big companies never touch. That's how our 100+ years of golf course business experience make us your essential diligence team.

One example of a neighborhood's change was a western Pennsylvania city and its once flourishing private country club: In a period of twenty-five years, the 95% Caucasian population dropped to 65%. The 30% ethnic shift was reflected in the 30% reduction in the membership roster, as the new population segment was not a golf playing group. So, the private country club, by 2011 could not pay its bills. The 'lovely' amenities including the swimming pool, fitness room, tennis courts, and fine dining room became dead weight dragging the club down. It was a country club worth up to $15 million in 1995 - all but worthless in 2011.

What I'm saying is, "Don't waste your time and money pursuing a deal that doesn't make sense." In my opinion, if a golf course isn't making money unless there is high value in the land itself, it's not worth anything. I mean, you're looking at buying a business with little or no asset value and losing money. A money-losing business with no asset value – what is it worth? You need to be ready to walk away from deals, no matter what the sellers say about upside. Stick to a safe formula based on multiples of earnings, or the results of your feasibility study.

With the above said, if you believe you have a way to improve a money-losing golf course by implementing various strategies the seller has been ignoring – either knowingly or not – then you can justify the acquisition based on its selling price. An excellent example was an East Coast Florida golf course, bank-owned that I brokered for under $1.3 million. Rounds were down to fewer than 30 per day, which I knew could be boosted by at least 100 by applying my techniques. In just over three months we were able to boost rounds to over 120 per day. It's a long story to outline my plan, but safe to say; I knew the rounds were available by following my plan.

BUYING ON MULTIPLES OF NET OPERATING INCOME:

I say, "Don't pay over ten times earnings (usually referred to as net operating income (NOI) unless it is a brand new golf course and it passes your feasibility study!" If you're paying a multiple of earnings (I'm talking solid earnings over at least the past three years, or better; five), even those earnings can be misleading if maintenance has been lax over the same period. Of course, that's where I come in. I can provide an opinion on what the real earnings are for a golf course by studying their revenues, rounds, and expenses and matching that information with the physical condition of the property – and especially the equipment. I watched a buyer spend money and time chasing a deal that was all but impossible – based on my review.

And don't kid yourself! To own a golf course, you must be able to afford it! Dreaming of the no-money-down golf course will waste your time, and everybody else involved because nobody is going to take a 100% risk on your behalf. Even an 80% leveraged deal can wipe out a new golf course owner in one month of inclement weather. I know, because I've seen it happen!

DILIGENCE CAN ALSO BE YOUR LEARNING PROCESS ON HOW THE BUSINESS OPERATES:

To be sure, operational standards remain reasonably comparable in competitively shared golf course neighborhoods – always subject to various adjustments for competitive purposes. As for the physical and financial health of the asset and business, I can usually learn by what the subject shows me when I review maintenance expenses as to whether a deferred maintenance situation may be the reason for higher earnings. Differed issues, in my experience, make a statement earnings misleading to an untrained eye. I can form an opinion because I've studied cash flows from hundreds of golf courses all over North America. Matching financial activity with my physical inspection can reveal the subject's actual economic character – and value. Remember, I was once an owner! I know how to maintain a golf course properly.

In diligence, I read the hour meters on the main maintenance machinery. For instance, a riding greens mower worth over $25,000 new is near the end of its useful or 'trouble-free' operating life if it has logged more than 3,500 hours on the job. I'm referring to complex machinery that runs for up to eight hours almost every day. These machines are expensive – greens mowers ($25,000 new), fairway mowers ($45,000 new), deck mowers ($25,000 new), rough mowers ($45,000 new), trim mowers ($15,000), and trap rakes ($12,000 new). Daily-use machinery seldom lasts more than five years at a Florida golf course or more than seven years at a New York State golf course. In fact, publications such as Golf Course News suggest that you should plan up to 20% of your annual maintenance budget for machinery replacement.

The chart, Figure 1, lists necessary everyday grooming machinery a typical 18-hole golf course of 100 to 150 acres needs – usually two of each machine. Figure 1 shows the total cost for the ten essential units is up to $244,000. Therefore, if 20% is in the budget for annual machinery replacement, Figure 4 indicates that up to $48,800 needs to be planned one way or another in the annual maintenance budget.

The chart below goes by the standard everyday grooming equipment list. I recommend that 18-hole golf courses have two of each of the essential daily grooming machines:

MOWING AND GROOMING EQUIPMENT

Daily Grooming Units	Single Unit Price	Cost for Two Units
Greens Mower	$ 25,000	$ 50,000
Fairway Mower	$ 45,000	$ 90,000
Deck Mower	$ 25,000	$ 50,000
Trim Mower	$ 15,000	$ 30,000
Trap Rake	$ 12,000	$ 24,000
	$ 122,000	$ 244,000
20% Annual Replacement Budget		$ 48,800

Figure 5 Typical Essential Machinery list for an 18-hole Facility

The equipment list indicated in Figure 4 is only a portion of all the machinery and small tools required to maintain a golf course competitively in the golf marketplace of 2016. Much of the machinery is used only five or six times a year will last ten to fifteen years - such as tractors and front-end loaders, fairway sprayers, fertilizer spreaders, greens aeration machines, fairway aeration machines, and leaf blowers.

Many small power tools like weed eaters, blowers, etc., push rotary mowers, etc. seldom last more than two years.

There are endless small tools, plus very expensive reel-sharpening equipment (up to $50,000 new), a mechanics hoist, acetylene torch, welding equipment, and irrigation spare parts.

Believe-it-or-not, a complete 'pallet' of maintenance machinery and equipment to maintain an 18-hole Florida golf course can easily run from $700,000 to $1 million dollars.

Sure! You can buy everything outlined above as used and refurbished at substantial initial savings. In fact, a very useful publication, Golf Course Trades, circulated monthly to golf course superintendents contains endless lists of used equipment for sale. The December 2016 edition of Golf Course Trades indicates these examples of used golf course maintenance machinery:

- Five-year-old Fairway Mowers at $14,000 – up to $45,000 new
- Five-year-old Deck Mowers at $18,000 – up to $25,000 new
- Seven-year-old Trim Mowers at $12,000 – up to $15,000 new
- Greens Mowers with under 1,000 hours on the job at $20,000 – up to $25,000 new

Keep in mind, used machinery typically carries no meaningful warranty, and likely won't last more than two or three years before needing replacement. Unless you employ a skilled mechanic, used machinery may ultimately cost more for than new machinery on an annual basis because of expensive repairs and downtime.

I always preferred the 'comfort' of the two-year warranty many new equipment dealers offer. Then, if my mechanic is competent, I'll get four good years out of a machine I bought new – then get higher trade-in value when I'm ready to buy a new one.

Like I said, in my experience, used machinery is more prone to breaking down causing work delays, higher repair expenses, and poorer grooming results that ultimately hurts the quality of my golf course and my customer's satisfaction.

I point out the above to make sure your eyes are wide open before you commit yourself to owning a golf course.

OK. WE'VE MET ALL THE ABOVE. HOW MUCH SHOULD YOU DEPOSIT WITH YOUR OFFER?

If you are comfortable that your attorney is competent, you can make a stronger impact on the seller by putting up an eye-opening deposit without risking it. The key is how you write the contract to be sure you get it all back if you decide not to buy the property (the One Clause). However, you'll get a higher degree of cooperation from the seller if he sees you've put serious money behind your offer.

ARE YOU THE SECOND OWNER?

If it's an Older Golf Course you're not likely to be the second owner of the golf course you plan to buy. Like the purchase of a used car, you're getting a property that is in a condition reflecting how it has been used and cared for by its previous owners.

You certainly want to be 100% sure you're not buying a money pit. There are a few significant areas that you can observe to learn whether the place has been properly maintained. I look at sand trap edging, the edges of cart paths, sniff the water in the ball washers and observe the cleanliness of the on-course restrooms, etc., where neglect will be most obvious. I rub a finger along the reels on the fairway mowers and take a good look into the irrigation pump house (station). If a golf course is more than three years old, it will likely already be on its second generation of specific maintenance machinery. Greens mowers, fairway mowers, trap rakes, etc. are only good for a certain number of working hours. Most sophisticated mowing machines are considered on the last legs of their useful life after logging 3,500 hours. Usually, after 3,500 hours mowing equipment will be beyond their optimum economic use. Daily use machinery, particularly, with more than 4,500 hours logged will be an indication that the seller has been cutting corners in the maintenance program by not timely replacing worn out machinery.

One of the best sources of information about the subject course's maintenance practices can be face-to-face interviews with the assistant superintendent if you possibly can (not the head guy). A laid back conversation with this person can reveal an unreliable irrigation system, a worn out tractor, or expensive ongoing diseases or pest issues. Sometimes the superintendent won't tell you these things under orders from the seller.

Dialogue is imperative in the diligence process. A talk with a key club member, the starter, a ranger, or an assistant pro will alert you to problems the seller would rather you didn't know. You might also ask questions about the subject golf course at local golf retail stores, or even sitting at the bar at a local pub (I call sniffing the neighborhood). Most of the bits of information you gather are normal wear-and-tear stuff, or reputational. However, much of this information prepares you for becoming the next owner. You need to make plans (in your head) for the cash you'll need and operational changes you plan to make if you become the owner.

My colleague, Bill McIntosh, and I are the best at conducting golf course feasibility studies and diligence. I was licensed as a superintendent, and Bill is a lifetime member of the US PGA. We've both owned golf courses, and between us have managed every type of golf facility.

One thing to be aware of: The older the course, the more deferred issues to expect.

At your expense, but wise, you should bring in air conditioner experts to inspect every unit – sometimes as many as eight air conditioning units in a large clubhouse. You'll want an engineer's inspection of the clubhouse and any outbuildings to be sure they are conforming to standards of 2016 (compulsory if you are applying for institutional financing). You might also hire a USGA agronomy expert to take soil samples that can alert you about current or future turf problems.

If you're applying for financing, you will need all the inspections for fire codes, environmental reviews, fuel storage issues, safety hazards, termite inspection, and an engineer's structural integrity review of the clubhouse. Your institutional lender will want all the above to be entirely documented before they'll loan you a penny on the place.

HERE'S A TYPICAL LENDER'S WISH LIST:

Be ready! Lenders want to be sure the loan can be repaid – and be protected as best they can if the loan. fails. They will require information about you, the asset, the business and how you plan to manage it.

To process a golf course finance application, the fastest way possible, be prepared to provide all the information the lender needs (listed below) with the loan application. Every item must be verifiable, so be sure the finance source can easily reference your source of information. Be aware that lenders may ask for items not listed below:

1. Personal financial statement
2. Borrower's personal background or resume
3. A property description including exact location, when built, architect, yardage, cart paths, acreage, square footage of buildings, etc.
4. A list of all fees, dues, menu prices, etc.
5. Marketing materials, brochures, menu, scorecard
6. A property history - known previous owners, historical highlights
7. A recent property appraisal
8. A detailed 3-year cash flow history
9. List of accounts payable
10. A list of accounts receivable
11. Financial statement with balance sheet
12. Bank statements up to three recent years
13. Statement of use of funds 12.
14. A detailed history of rounds played
15. A membership list

16. A recent market analysis
17. A complete equipment inventory (serial numbers of large machinery)
18. A complete merchandise for resale inventory
19. Copies of insurance policies, tax returns
20. Copies of all permits and licenses
21. List of all debts
22. Loans and leases
23. Environmental surveys
24. Source of irrigation water, consumption rates, and up-to-date permits
25. Proof of compliance for storing items like fuel and chemicals, etc.
26. Engineers structural report on all buildings
27. Termite inspection report
28. Agronomy report on the golf course
29. An up-to-date property survey
30. A business plan going forward
31. A summary of key personnel - including salaries, job descriptions

DILIGENCE CHECKLIST

A golf course buyer's diligence checklist should contain hundreds of separate items, with many more sub-issues. Every item must be addressed seriously and completely. Permitting, licensing, environmental issues, transferable leases, personnel contracts, supplier lists, available operational records, member lists, are among the headliners. However, there are hundreds of smaller details can help the buyer avoid mistakes. Working through diligence details is where a first-time golf course buyer should engage consultants like Kahn and McIntosh to show you what you are about to purchase.

Everything must check out. Remember that a golf course is an ongoing business. You don't want your power shut off, your phones turned off, your bar or kitchen closed down the day you take over. Different states, or provinces, have different rules about health issues, environmental issues, etc. Don't take any person's word for anything. Get all documents and permits verified in writing - with copies in your hands! Minor diligence oversights can wind up as financial disasters. Beware: Verbal assurances from public officials can be fatal. Get the documents!

As a registered Golf Courses for Sale golf course buyer, you get a copy of our diligence worksheet. If you check all these items correctly, you'll likely be pretty confident with what you're buying.

IRRIGATION AND DRAINAGE

The two essentials for every golf course on the planet are irrigation and drainage. You must be sure you have adequate irrigation forever. You also need to be sure a light rain doesn't close the course down for several hours – even days!

IRRIGATION WATER AVAILABILITY:
Water demands can be anywhere from 200,000 to 500,000 gallons for the daily irrigation needs of an 18-hole golf course. You must check the irrigation permits to be sure you have an adequate water source to irrigate under normal conditions. I say "normal" because every neighborhood has contingencies in case of severe drought conditions. When extended droughts occur, the first water availability cut will often be the local golf course.

Additionally, irrigation permits are usually renewable, so you be sure to check the renewal dates and mark your calendar to be sure you don't allow the permit to lapse. Also, check to find out if there are any clauses in the permit that could cause you to lose your source of irrigation water altogether.

Another irrigation source is waste water or effluent - often referred to as 'gray' water. In the early days of gray water irrigation, cities delivered wastewater to golf courses for free. Lately, there's been a charge for effluent use in most cases. I've seen quotes like 10-cents per 1,000 gallons. Therefore, a 400,000 overnight irrigation cycle will cost $40.00. Remember that is $40.00 more than the good ole' free water days. I remember how a Florida golf course watched its irrigation costs explode by over $15,000 a single year. The county ordered them by law to accept and use *effluent and then charged them to use it.

*Effluent is the resulting waste water from community sewage treatment plants. Every community needs to get rid of their effluent safely, and there's no better place to dump it than on a golf course. If the community targets your course as a wastewater disposal site, you're likely to be obliged to accept it. Not only are you forced to accept effluent for irrigation, but many communities will also make you pay for the infrastructure to get it to your property. Then by law, they charge you to use the wastewater!

Remember I suggested you engage a USGA agronomist for testing the soils – especially if your view of its grasses show weakness or discolor. Soil PH (acidity level) is an especially important issue to research if the golf course is irrigated with wastewater. (often referred to as 'gray water') Reports have surfaced about the acidic nature of some wastewater, which can alter the soil PH, thus causing strain on turf conditions. There are stories about golf courses on wastewater that have lost large areas of turf due to dramatic changes in their soil PH levels.

> *To learn more about soil PH (acidity) go to the United States Golf Association (USGA), website: www.usga.org and search for soil acidity information. You will learn how turf grasses react to various acidity levels and which are best to maintain healthy greens, tees, and fairways.*

So, my advice is to make sure you are aware of soil conditions. Once you know, one way or another, if the PH is too high or too low there are various products available to return the soil to it proper PH levels.

SOME PERMITS REQUIRE RENEWAL WITH CHANGE OF OWNERSHIP

Some irrigation permits require annual renewals, and some may be good for up to 20 years or more. Don't assume anything. Review the permits! Just a note: Many irrigation water permits require monthly reports of daily irrigation water consumption. Ask to see them.

THE IRRIGATION SYSTEM

You need to study the irrigation system carefully (I will do that for you). Any golf courses older than 15 years will have an irrigation system that has used up three-quarters of its average worry-free operational life. Not only are 15-year-old irrigation systems at their ‘three-quarter-life,' but they may be highly inefficient compared to more efficient systems more recently created.

What you need to prepare for is that sometimes beyond the next five years the irrigation system at the golf course you’re reviewing may need a complete overhaul - up to a $1.5 million dollar expense according to a recent estimate I obtained in 2013 for a 35-year-old Florida 18-hole golf course. There are three types of irrigation systems: Manual, Semi-automatic, and Fully Automatic.

Golf course irrigation systems are described as center-line, twin-track, or wall-to-wall (tree-line-to-tree-line).

Manual Systems have no permanent in-ground heads. Each sprinkler head has to be plugged into its socket by hand. Manual sprinkler heads are moved in a leap-frog manner, manually, throughout the golf course. A manual irrigation system still operating in 2016 will be on a golf course at least 40-years old and probably needs a 100% replacement.

Semi-automatic Systems include individual in-ground pop-up heads that are controlled by stations located around the course (you've seen the green metal boxes out there). Sets of sprinkler heads can be operated by each controller (station) using automatic timers. Pop-up heads are activated either by electric solenoids or by separate hydraulic pressure lines. Most of these systems will be twenty-five or more years old (2016).

Fully Automatic Systems can be operated by radio from handheld controllers or smart phones - capable of isolating single sprinkler heads or any series of sprinkler heads. The controllers are radio receivers in boxes located on the golf course. Most recent systems are fully automatic. Radio controlled irrigation systems require a license from the FCC.

Centerline irrigation systems have sprinkler locations running down the center of the fairways. They can have up to 90-feet spray power covering an 180-foot swath down the fairway middle.

Twin-tracks are just that - lines down each side of the fairways and will even water the first rough heights.

Wall-to-wall or treeline to treeline usually means the fairways are watered all the way to the trees lining the play areas - sometimes with many additional sprinkler additional heads.

An 18-hole irrigation system can have from 600 to 1,200 sprinkler heads. Individual sprinkler heads can cost from $100.00 to $250.00 or more for each. Some of the newest individually radio-controlled sprinkler heads have been quoted as high as $900.00 for a single head.

In diligence, you need to check with the superintendent to find out how frequently the irrigation system needs repairs (This is another area where Kahn and McIntosh can get to the bottom of the irrigation system’s condition and performance. We know how to converse with fellow

superintendents to learn what we (you) need to know about the most expensive single maintenance tool on a golf course today). Check the spare parts inventory to see how well stocked it is. Out on the golf course, you should look for blind spots indicating areas the sprinklers don't reach. Do all the sprinkler heads work? Did they cut any corners during installation? Does the system include fertigation tanks? When was the last time the main pump shaft was pulled and repaired (a $10,000 to $35,000 expense)?

Ask to see the original irrigation plans and installation drawings.

In the USA and Canada, the best-known irrigation brands are Toro, Rain Bird, Hunter, and Buckner. Beware of lesser name irrigation systems installed before 2000. Many are besieged with problems and often do not have spare parts available.

DRAINAGE

You must be certain that the drainage plan for the golf course is reliable, proper, and in good order. Get any and all documents and permits you need to prove that these components are available now and forever. There are several drainage issues that will affect the course - and the business. You need to know if and what they are.

Ask to see the original drainage plan drawings.

Anytime it rains, you'd like to know how long the course will be closed down (if at all). You should look for areas of erosion that will suggest poor drainage planning or dried up puddle dimples, sometimes referred to as birdbaths, in places indicating longer-standing water. Check the sand traps to see how well they drain (many 20-year-old golf courses will have sand traps that don't drain properly and are in need of repair). Darker areas of sand traps will indicate possible drainage problems evidenced with bunker sand mixing with native clay and soil.

CONSTRUCTION PLANS

Get a copy of the subject golf course's as-built construction plans (if available). As the new owner, you have no idea where irrigation pipes, drainage pipes, and tiles are located. I can tell you horror stories about drainage and irrigation systems. As your diligence team, we know what to look into. We can recognize telltale signs lesser experts in golf courses will not see.

ENVIRONMENTAL

Depending on where your target golf course is located, every county, every state (province) will have their twist on environmental issues. Some will inspect your fuel bunkers with a magnifying glass; others don't even require a sealed fuel bunker or double walled fuel tanks. Some agencies will transfer a storage license; others will require you to apply for a new one. Some won't require any fuel storage permits at all. It's a diligence homework item.

Some states/counties/provinces may require a separate license for chemical storage. You can expect to be required to show a separate chemical storage room or even an entirely separate building. Full regulations in some states and provinces require specific ventilation and proper shelving, etc., to be sure reactive chemicals are safely separated.

If the property has natural ponds or waterways, you'll need to learn what (local) rules apply. Flora and fauna, wildlife, water quality, etc. may all be your responsibility to maintain at your expense. A typical Florida golf course with several acres of ponds and wetlands spend upwards of $20,000 a year for professional pond and wetland mitigation monitoring services. You'll need to review all the pond care documents to be certain they are fully conforming (I can tell you about disasters where the buyer did not do his homework).

If your target golf course is located in Ontario, Canada, and has a trout stream on the property, the province will guard it with 'tanks, guided missiles and swat troops' (just kidding). You may have to follow specific rules about where and what chemicals and fertilizers you can apply within a certain distance of a trout stream. However, I'm sure you get my point. Do your homework. Find and review the documents!

THE CLUBHOUSE

The clubhouse is like any house except it sustains more wear and tear on a daily basis than an average home will in several months. On any given day, 200 golf players may walk in and out the front door. In my experience a golf course clubhouse ages about ten times faster than an average residential home. Consider 200 golf player rounds a day for 100-days (as at a daily fee course in, say, Chicago), and that's 20,000 times the clubhouse door swings on its hinges. Imagine, if you open and close the front door to your house four times a day for 13-years your household front door will swing as many times as a clubhouse front door swings in only 100 days.

Those are the reasons clubhouses wear out fast.

Consider plumbing. Clubhouse plumbing will endure up to 200 flushes or more, plus drainage from the kitchens, and maybe even the cart washing areas. Consider 200 persons in and out of the clubhouse at least twice each day. A 40,000 thousand round golf course means a minimum of 80,000 entries and 80,000 exits from the clubhouse in a year.

In my experience, few clubhouses are constructed to endure that kind of traffic referred to above. Many clubhouses look tired after only ten years!

> *I check the door hinges and door closers. Worn out door closers become impossible to adjust to keep doors from slamming loudly and shaking the door frame itself.*

If you're applying for financing, your lender will want an engineer's report on the structural integrity of the building. You or your lender will want to have all the heating and cooling units, the electrical supply and electrical infrastructure checked by an expert (Here's a hint. Order an insurance inspection of the clubhouse. I've followed insurance inspectors around large country club clubhouses. They check light switch covers, electrical panels, fire prevention systems, and a hundred items that could increase the insurer's risk.)

Be sure to have the roof inspected. The roof shingle condition is essential because re-roofing a 15,000 square foot clubhouse can run up to $75,000. If the roof is in poor shape, you may be ordered to redo the roof before your insurer insures the clubhouse. Keep in mind, if the insurer does not insure the golf course property, your lender won't lend you a dime.

The layout of the clubhouse will be critical in how it encourages traffic, promotes concession opportunities, and supports the efficiency of operation (*I'm the best in all of golf when it comes to planning a golf course clubhouse*).

THE KITCHEN

Inspect the kitchen very carefully. You can learn a lot about how the seller has operated the place by the condition of the kitchen. But there are other important issues to consider too. Check the fire protection system. All fire-fighting extinguishers have tags that show the date of their inspections (you might ask a third party expert to inspect it). Make sure all the stoves are working 100%.

Ask about the grease trap handling and cleaning. Ask about hood cleaning - frequency. Get the name of the company that cleans the fryer exhaust hood.

Check the coolers and freezers (ask a third party expert to inspect them). If they are more than five years old, expect major compressor problems and repairs sooner than later. Check refrigerator doors and hinges for rust and escaping cold air, which runs up the utility bill. Be sure to check the temperature gauges in coolers and refrigerators and beware if you cannot find them because that's a health department no-no! Look at all the cooking utensils, dishes, serving equipment, and storage areas.

Commercial cooking tools are extremely expensive items that can suck up your capital a dollar-at-a-time without you knowing it until you check your bank balance!

Ask to see the local county's health unit inspection reports. Be sure that the health inspector has signed off all issues – as conforming. You will also want a copy of the latest fire-safety inspection report. If there hasn't been one lately, demand one. State that the building must be certified fire safety is conforming, or there's no deal. These are items whereby your lending source can become your watchdog because the banker will not fund you unless all those issues are in order.

LOCKERS, SHOWERS, TOILETS

A 20-year-old clubhouse will show normal wear and tear, but maintenance neglect will accelerate deterioration. The smell of the locker rooms will tell you something about the seller's care. Check the tiling in the shower, look behind the toilets, flush each one, turn on the taps, flick the light switches and inspect the carpeting. Act like you are planning to live in the clubhouse. Are the restrooms clean, or more like filthy service station restrooms?

NOTE: Issues like neglected clubhouse maintenance, especially cleanliness of the kitchen, restrooms, and back offices, as they may represent opportunities in your favor. That's another area where my expertise can help you with your final decision.

STORAGE SPACE

Too many clubhouses were planned without enough storage capacity. When you see stuff like banquet tables and chairs stored in hallways, or worse, stored in an electrical room, you know the business has a storage problem. Every 20-year-old golf course clubhouse has storage problems, so look to see if there are reasonable solutions available.

THE PRO SHOP

I look to see where the pro shop is located and planned to manage golfer (people) traffic. The perfect scenario (I call a 10) is a pro shop where the cashiers can see the first and tenth tees, the parking lot and the practice range. Anything less is simply less and more expensive and inefficient to operate.

In your inspection of the pro shop, do the white glove test around merchandise displays, behind the service counter, and in the golf professional's office. Check for old merchandise that's been there for a couple of years (you don't want to be paying invoice prices for redundant inventory). Ask to look at all the old tee sheets – now you can get at them via the POS system - to see if they reflect the rounds reported in the seller, or broker's original 'sales pitch.'

POWER CARTS

Power cars are the single most profit-producing concession at golf courses today. However, they have a limited number of rounds on them before they hit redundancy. If the fleet is more than three years old (at a Florida course), or at or nearing 20,000 rounds per cart, the fleet is ready to trade. If research tells you that carts are being towed in regularly, you know the fleet is probably almost dead.

Remember your credit information? You'll need it to lease or finance a cart fleet – and even for taking over the current lease. (I have negotiated several cart fleets from 50 to 250 cars by several makers: Club Car, E-Z-Go, and Yamaha. Just another area where me I can help you get started as a first-time golf course owner).

Figure 6 Nicely organized cart staging area

Are they gasoline-powered carts? Are they electric powered carts? In our experience, golfers prefer electric cars. Electric cars are quieter and provide a smoother ride. However, hilly golf courses often need gas powered carts, because hill climbing drains energy from electric powered carts reducing the number of holes per day they can run between charges.

A golf cart is a motor vehicle. If it's a 60-car fleet, it is a minimum $250,000 investment – one way or another. Check each cart the way you might inspect a used car. Check the tires, check the upholstery, check the brakes, and check the steering. If it's an electric cart, check the batteries. Make sure the batteries in a cart match? Pull the battery caps to check the plates. Look for corrosion buildup. If it's a gas powered cart fleet, start and stop several cars to be sure they are properly tuned and start correctly and quickly when the drive pedal is pressed.

Another golf cart issue you should check on is whether the fleet has been properly rotated to maintain even wear and tear for all carts. A poorly rotated fleet could have vehicles with up to their normal useful life of 20,000 rounds spent while others may have logged fewer than 10,000 rounds. A wear-and-tear mismatched cart fleet will be major trouble spot before halfway into the fleet's lease period and its normal useful life of 20,000 rounds per vehicle. Tow-ins, flat tires, battery failure, steering and brake problems become common by the time a cart fleet reaches the 20,000 round mark (20,000 rounds averaging only 6-miles per round equals over 120,000 miles). Check: Some carts have built-in meters that show their usage history.

But I've got a better idea: Hire a golf cart service company to prepare you a report on the condition of the entire cart fleet. Some will do it for free if they think they'll get your fleet repair work!

Is the cart storage area in an efficient location? Carts stored more than a few feet from the clubhouse (pro shop) can be expensive to transport back and forth. While you're at it, if the carts are battery powered, check the condition of the electrical source. If you're not sure, have an electrician inspect the power supply. With a gas cart fleet, check to see how they manage their gas consumption. How far do they need to drive them to refill their gas tanks? Poorly planned cart fleet storage and handling adds to expenses (overhead), because of the need for more personnel for jockeying, cleaning, and parking (storing) the fleet at day's end.

> *I helped reorganize a cart fleet for a golf course and saved them over $20,000 a year in cart lease expenses. With me, Mike Kahn, as your diligence expert you get all my experience and know-how working for you!*

CART PATHS

The coverage and condition of the cart paths will have a bearing on cart life, as well as an impression on golfers (and the bankers). If the golf course is more than 20-years-old, you will most likely have cart path repairs to consider. Check to see if they can be patched, or whether they need complete replacement – or at least stretches that need complete replacement. Replacing cart paths on an average 18-hole golf course can run from $100,000 to $200,000 or more depending on the type of surface – concrete, asphalt, crushed gravel, wood chips, even shell material. If you're not sure, get an estimate from a company that installs and repairs cart paths.

MAINTENANCE BUILDING AND OUTBUILDINGS

A modern maintenance building should be of no less than 5,000 square feet, concrete floor, with an office, employee lunchroom, full-service his and her washrooms (some with showers), and a mechanic's shop, and a spare parts room. If the golf course is in the North Country (freeze zone) it should be heated (at least warm enough for a mechanic to work in the building during the cold off-season). It should be well ventilated with a high ceiling with at least three full height overhead doors. A mezzanine is extremely desirable for storage. Check for oil a mechanic's hoist, machine workbench areas, torches, welding equipment, air hose, a water supply, sufficient electrical supply, and a reasonably sized yard with room for employee parking. Check to see whether the more sophisticated mowing machinery can be stored inside – particularly during winter in the northern areas.

Figure 7: Excellent Mechanics bench

If the target golf course is more than twenty years old, ask to view the 'graveyard' - where junk, old machinery, and redundant equipment pile up. Sometimes these places can become environmental problems with old batteries, gas tanks, and oily engines, resting on the ground. (If buried dangerous or possibly polluting materials are suspected, require the seller sign an affidavit acknowledged by the seller that seller has not hidden any old equipment or chemicals on or buried in the property.)

Figure 8: Typical old equipment junk pile

OUTBUILDINGS

The chemical storage shed (if they have one) should be ventilated and constructed according to local regulations. Check to see whether different chemical containers are stored apart from each other.

FUEL STORAGE

Most golf courses use both gas and diesel fuel for their mowing machinery and various tractors. Generally, in my experience in many States, fuel tanks larger than 550 gallons (or so) must be stored in a tightly sealed bunker. Some States or Counties require larger fuel tanks be held inside poured concrete, epoxy-sealed bunkers with no seams with sides as high as two or three feet (large enough to hold all the contents of both fuel tanks if they should leak and fully drain). A concrete fueling platform to park vehicles for refueling is recommended – sometimes mandatory.

Figure 9 EPA Conforming fuel tank storage

Figure 7: Fully Conforming Fuel Storage (in Georgia)

MACHINERY WASH STATION

Many US States and local Counties require golf courses to have specially prepared washing stations for mowing machine cleanup. For instance, I oversaw the installation of one of the latest fully compliant wash stations at the Belleview Biltmore Golf Club in Belleair, Florida. The unit, at a cost of $50,000, is designed so that only 10-gallons of water are used to clean cutting reels and other mowing machines. The water is recycled in a septic type holding tank so that it does not run back into the environment. It was designed after it environmentalists determined that the residue in mowing machinery contains high concentrations of chemicals in clippings that without containment would wash into and harm the environment.

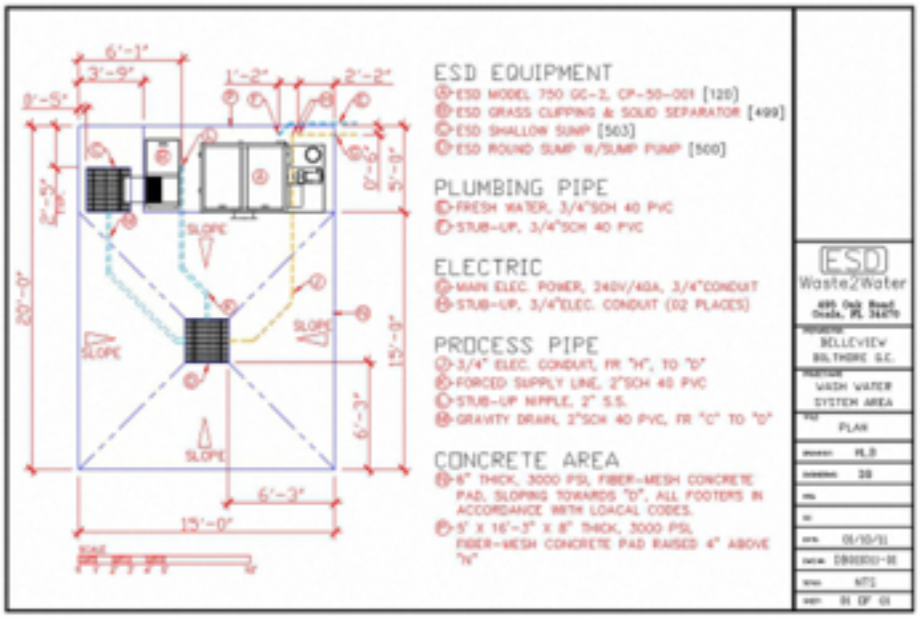


Figure 10 Single hose wash station plans

A state-of-the-art wash station uses very little water by way of a recycling system more or less reusing the same water over and over in the cleaning process. Grass, dirt, and other materials that may contain fertilizers and other chemicals are safely deposited into a specially designed septic system separated for later safer disposal. In 2011 I installed a system at a Florida golf course at the cost of over $50,000 (approximately).

COMFORT STATIONS

Most golf courses today provide washrooms (comfort stations) and rain shelters on the golf course – usually one per each 9-holes. You'll learn a lot about the seller's business practices by the cleanliness and general care you observe at the comfort stations. If they are not well maintained, it's a negative reflection on the entire business – possibly your opportunity if you believe you can improve the business (another reason you want to talk to me). The same goes for your physical review the clubhouse washrooms. Flush all the toilets. Run the water. Check that the exhaust fans run correctly. Open and close the doors to check hinges and door closers.

Figure 11 Sample of a First class comfort station

Many comfort stations are securely locked to prevent vandalism and transient use. They can only be opened with a key – usually included with the power cart key.

CONFORMITY

You will need to be sure that the clubhouse fully conforms to 2016 handicap standards in your State or County. Same may hold true, in some cases, for outbuildings and comfort stations.

PARKING LOT – PAVEMENT, ACCESS, AND EGRESS

In my experience, a 20-year-old golf course will be on the verge of needing serious parking lot resurfacing. In 2016 I oversaw a one-acre golf course parking lot complete resurfacing and striping at the cost of close to $50,000. The previous resurfacing was over 25-years ago.

Check around the parking lot for obvious patch repairs. Mosaic cracking is usually evidence the pavement is crumbling and needs to be replaced. Whatever the condition of the parking lot surface, you can bet it will need a new top within twenty years.

Parking lots probably have night lighting. Check that they are properly operating and are using the latest and most efficient lighting available. They may be automatically turned on and by light sensors. Uncontrolled, high-energy parking lot lighting can add thousands to the annual energy bill.

Access and egress are necessary because roadways have probably changed since the golf course was first created. For instance, if the main road was two-lane twenty years ago and now four-lanes, can vehicles still enter your place of business from a left turn as they could twenty years ago? Remember, my experience - for over 50-years. I've seen just about everything.

LIQUOR LICENSE

If the golf course you intend to purchase has a liquor license and has a dependency on it for cash flow purposes, you need to make it part of your diligence – beginning with learning the rules unique to the state and county where the golf course is located.

Without going into detail, I have found that a good and safe strategy to deal with a liquor license is to engage an expert to work or guide you through your permitting process. By trying to obtain a liquor license yourself, you run the risk of not being able to serve liquor the day you take possession of the property, which can become an expensive business interruption.

I have been part of golf course transitions involving the transfer of liquor licenses and laws differ greatly from state-to-state, and even between counties within states. Some license officials are extremely helpful, but in some instances, they can be downright nasty.

You may also run into a clubhouse conformity issue if the building was grandfathered when liquor laws were changed, but must be brought up to code upon a change of ownership.

You can avoid the much of concern about transferring the liquor license to you by engaging an expert to do most of the work for you.

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