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The Golden Bear Roars: Nicklaus Inks New Deal

By **ROBERT FRANK**
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And John Paul Newport Jack Nicklaus is getting a little help with his golf swing.

The golf icon is selling a substantial minority stake in his company to New York real-estate mogul Howard Milstein to expand the Nicklaus empire around the world, extending its reach in golf course-designs, clothing, equipment and real-estate.

Under terms of the deal, expected to be announced today, Mr. Milstein will pay \$145 million for the stake in the newly formed Nicklaus Cos. LLC -- which includes Mr. Nicklaus's business ventures, such as course design, licensing of his name, and golf clubs. Mr. Nicklaus will remain CEO and chairman, and the Nicklaus family will retain control.



Jim Mandeville

The Jack Nicklaus-designed Punta Espada course in the Dominican Republic "Spring Awakening,"

The deal allows Mr. Nicklaus to cash out of a portion of his business and also link up with a savvy real-estate and banking chief as a long-term strategic partner.

Mr. Milstein, a billionaire, owns several Manhattan skyscrapers and real-estate throughout the U.S. and Europe. The Nicklaus deal was done through Mr. Milstein's New York Private Bank & Trust business. It gives Mr. Milstein a plum investment in a fast-growing business that can expand rapidly overseas.

Of course, it also carries risks: The 67-year-old Mr. Nicklaus is the face of the company and the main force behind its growth. However, the growth of golf-related industries traditionally comes in fits and starts. "We understand the risks and we think we'll be able to manage them," Mr. Milstein says.

Mr. Nicklaus, nicknamed the Golden Bear, won 18 professional majors in his heyday from the 1960s through the mid-1980s and is considered by many the greatest golfer of all time (although Tiger Woods, 31, who has won 12 majors, is on track to challenge that claim). Over the years Mr. Nicklaus has translated his fame and expertise into a significant business enterprise, but never quite as successfully as his long-time rival, Arnold Palmer, or the younger, charismatic Australian Greg Norman, whose businesses have included wine, sportswear, boats, golf clubs, real estate, and restaurants.

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Twice Mr. Nicklaus has suffered serious setbacks. In the mid-1980s, his company, Golden Bear Golf Inc., overextended itself into areas such as oil and insurance, forcing Mr. Nicklaus to negotiate personal loans with banks to bail out the business. Then, in 1998, after Golden Bear went public, two executives were fired after the division they headed misrepresented more than \$20 million in losses. The company had to restate its prior-year earnings, its market value sank and it went private again.

Today, however, Mr. Nicklaus's golf-course design business is arguably the most successful in the field. It has built 315 courses world-wide and has another 60 more under design or construction, far more than any competitor. His Golden Bear logo adorns golf clubs, shirts, hats, and golf balls.

The infusion of capital from Mr. Milstein is meant to accelerate the company's growth. The Nicklaus Cos. include three main businesses: Nicklaus Design, which creates golf courses; Nicklaus Marketing, which licenses the Nicklaus name for clothing and other products; and Nicklaus Golf Equipment, which makes golf clubs and other gear.

The two partners say the company's revenues, now in the "hundreds of millions," will more than double over the next three years.

In the design group, which accounts for at least half of the company's profits, the company plans to step up the growth overseas, where demand for golf courses is skyrocketing. While there are 31,000 courses in the world, 19,000 of them are in the U.S, with most of the new demand coming from abroad, according to Mr. Milstein and Mr. Nicklaus.

Mr. Nicklaus has courses under way or planned in India, Korea, China, Russia, Ukraine, the Czech Republic, Greece, Croatia and Turkey. Mr. Nicklaus, who logged more than 600 hours on his Gulfstream jet last year, this summer will travel to Kazakhstan to plan a course.



Jim Mandeville

Jack Nicklaus and Howard Milstein

"We're getting the lion's share of the work for golf courses getting built," he said. His reputation as a course designer has improved significantly since he began learning the craft in the late 1960s by helping veteran designer Pete Dye create the Harbour Town Golf Links in Hilton Head, S.C.

His earliest solo designs were extremely difficult for average players. It is said by golf experts that he built courses that suited his own style of play: very long and favoring a left-to-right approach angle into greens. But in recent years his courses have become more player-friendly and increasingly include features such as short par fours and greens that can be reached with low-running shots instead of only through the air, making them fun to play.

While most of Mr. Nicklaus's designs lack the high aesthetic reputation of courses created by likes of Tom Fazio, Tom Doak and the team of Ben Crenshaw and Bill Coore, they are well-regarded and Mr. Nicklaus is deeply involved in about half of those his company produces. Those are known as Jack Nicklaus Signature courses and carry a premium design fee, typically between \$2.5 and \$5 million. Work on the other Nicklaus golf courses is carried out by veteran designers at Jack Nicklaus Design.

The Nicklaus name on any course significantly increases its worth to developers, because it allows them to sell the accompanying real estate or resort properties at a higher price. Under the traditional business model, Mr. Nicklaus got only the design fee and in some cases also a small cut of the developments' profits.

Working with the Mr. Milstein, however, the company expects to finance and develop more of its own real-estate. "We can help the Nicklaus companies capture more of those opportunities," Mr. Milstein says.

All four of Mr. Nicklaus's sons and his son-in-law work for his company. Mr. Nicklaus says his goal is to scale back his involvement in the courses, and build a company and brand that will outlast him.

"You look at Bobby Jones and that brand is worth more now than when he was alive," Mr. Nicklaus says.

The company will also expand its branding business. Mr. Nicklaus says most of the sales for that business come from overseas, especially Japan, Korea and China. He says there is "great potential" in the U.S. now that he has a strategic partner in Mr. Milstein.

Write to Robert Frank at robert.frank@wsj.com¹

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(1) <mailto:robert.frank@wsj.com>

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