

down the fairway

Royal pain

Golf courses want out of contracts to lease Royal Links USA beverage carts

THIS IS THE WINTER of golf course owner discontent in Wisconsin and across America. The typically quiet off-season has evaporated in a flurry of accusations, threatening letters and lawsuits thanks to a business arrangement to lease non-motorized golf course beverage carts which seemed too good to be true.

And it was.

Over the last two years, more than 60 golf courses in Wisconsin have signed complicated three-party contracts with Royal Links USA, a company headquartered in Holland, Ohio, which markets the carts. Most of the courses now owe lease payments of more than \$10,000 per cart - many

Royal Links USA in February who would not provide his name said the company had no comment on the matter. e-mails to the company also went unanswered.)

Although many of the contracts differ slightly from one another, the agreements are generally structured like this: A golf course owner or operator agreed to lease a Royal Links USA cart - which holds cold drinks and snacks and is usually placed in high-traffic areas on golf courses - and also agreed to place advertising sold by Royal Links USA on the carts. The course didn't have to pay any money upfront, but it had to sign a contract with a third party - one of 14 leasing compa-

2004, which said the payments would cease because "with few exceptions," course owners have not met their contractual obligations. Andrew Gifford, who is leading the investigation for Lord, Bissell & Brook, said he believes that Royal Links USA broke its contracts with the golf courses when it mailed those letters.

While the payments to the golf courses ceased, the contracts with the leasing companies remained.

In April 2004, Quit Qui Oc agreed to lease two of the carts - for a total of \$34,000 over a five-year period - after Montaba received numerous solicitations from the company. Montaba said the club received four monthly reimbursement payments, "then they hung us out to dry." Meanwhile, Quit Qui Oc kept making payments to its leasing company through the rest of the 2004 golf season, but has since stopped. As a result of that decision, the course was sued by the Pennsylvania-based leasing company, although Montaba contends he first tried unsuccessfully to negotiate a settlement.

Tony Arvold, head pro and part-owner at Beaver Dam CC, also has stopped making lease payments on the cart he has, and he also also been sued. Arvold signed up for the program in May 2004 under a three-year agreement (with monthly payments of more than \$460) and received his monthly checks from Royal Links USA through August. Then he got the letter of termination in October.

"I don't think any of the golf professionals or owners would have gotten into this agreement had they known they would have to pay \$12,000 for a cart," Arvold said. "They cost a whole \$900 to make."

Meanwhile, Nicole Vesel, whose family owns Spider Lake Golf Resort in Hayward and Telemark GC in Cable,

"It's a well-designed scam."

- Todd Montaba, head pro at Quit Qui Oc GC

have more than one - and with the help of the Golf Course Owners of Wisconsin and the National Golf Course Owners Association they are fighting to be released from those agreements.

An NGCOA task force has been formed to look into the issue, and the Chicago law firm of Lord, Bissell & Brook LLP has assisted the task force in its investigation. A class action lawsuit with Royal Links USA as the defendant and a California golf facility with eight of the carts as the lead plaintiff may be filed at any time.

"Tearing up the contracts would be the No. 1 goal," said Todd Montaba, head pro at Quit Qui Oc GC in Elkhart Lake, of how he would like to see the situation resolved. "Our second option would be to have some settlement or buyout where we would make a concession and they would make a concession and we could all move on."

(A man who answered the phone at

nies around the United States - to repay the cost of the cart through monthly lease payments usually extending three to five years.

Then the course signed another contract with Royal Links USA under which the company agreed to reimburse the course on a monthly basis for the same amount it owed to its leasing company.

In other words, Royal Links USA offered golf courses brand new beverage carts, and the company also agreed to subsidize the cost of those carts. The net cost to the golf courses looked to be zero, provided they didn't mind writing and cashing the checks every month. The sales effort worked to the tune of approximately 2,000 carts being placed at 1,500 courses nationwide.

Everything worked according to plan until Royal Links stopped making the reimbursement payments last fall. The company sent letters dated Oct. 4,

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tells a slightly different story. Last fall, Vesel decided to lease two of the carts for the 2005 season, and she faxed a signed contract to Royal Links USA. Vesel said she got a call from a representative of the company a few days later who told her there was a problem with the financing part of the agreement and that another contract would be sent for her to sign.

"The next day, I got the first e-mail from GCOW regarding what was going on with Royal Links," Vesel said. "That's as far as it went. (Royal Links USA) did call, but I didn't return the calls."

When asked if she was now on the hook for any lease payments, Vesel said: "I don't believe that I am. I've received nothing in the mail and no phone calls about deliveries of the carts or anything about making payments."

Royal Links USA is now being pursued by several entities through many channels. Among them, Gifford said the NGCOA task force investigation is trying to find a link between the cart company and the various leasing firms which signed agreements with the courses. That link, if it exists, would be a key consideration in the class action suit moving forward.

In Wisconsin, course owners have filed complaints with the State Attorney General's office, Gov. Jim Doyle and the Better Business Bureau. Sen. Russ Feingold's office is working with the Federal Trade Commission on the issue. The GCOW and some golf course owners are also currently trying to sell their own advertising to place on the carts in order to recoup a portion of their lease payments.

Through it all, Royal Links USA still appears to be marketing its beverage carts. The company maintains a Web site, which, among other things, provides a list of golf merchandise shows where it will exhibit its products. One of those listed is the huge PGA Merchandise Show held in Florida each January, but according to a spokesman from Reed Exhibitions, which operates

the show, Royal Links USA was told at the last minute that it could not exhibit there because the PGA of America received more than 1,500 complaints about the company.

"Even if you win a class action suit against Royal Links, I don't know if

there's any money there to be recouped," Montaba said. "I'm not looking for a great amount of sympathy, but I think people should be made aware so they don't get involved in it. It's a well-designed scam."

— Rich Pledl



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