



# GARY GALYEAN'S GOLF LETTER®

THE INSIDE REPORT ON WORLD GOLF

NUMBER 236

OUR 22ND YEAR

FEBRUARY 2011

Dear Subscriber:

## COMMENTARY: U.S.G.A. Annual Meeting

With a nod to the traditional core functions of the U.S.G.A. but a bow to the now clearly-evolved and increasingly-accepted role of commerce and corporate partnering at the Association, James Hyler presented his annual address for the last time as president.

Like so many speeches that are delivered these days on the national political stage, the content of Mr. Hyler's remarks was in conflict with much of what is actually being pursued at the golf association.

He began with topics that the more traditionally-minded supporters of the Association like to hear about including leadership in the game, and dedication to core functions such as rules, championships, handicapping, equipment standards, and the environment.

In this vein, Mr. Hyler reiterated, from his first speech as president, that "the time has come to reaffirm the essential mission of [the U.S.G.A.], to protect the ideals that our forefathers like Richard Tufts celebrated, and to work with a renewed emphasis on the game itself."

It should be noted that Mr. Tufts, whose family built and owned Pinehurst, a U.S.G.A. past president, and noted Rules authority, would not allow a U.S.G.A. championship to be held at Pinehurst because he never wanted there to be a real or perceived conflict of interest between his role at Pinehurst and his role at the U.S.G.A.

In ironic contrast to Mr. Tufts's ethical sensitivity, the U.S.G.A. internet homepage that provided the link to Mr. Hyler's speech also provided, in a more prominent

position, a direct link to the Pinehurst Hotel and Resort, no longer under Tufts' ownership, and the resort's story about the current restoration of Pinehurst No.2.

We have grown accustomed to this sort of verbal obfuscation, but must strive not to be misled by it. Actions speak louder than words. The grand ideas and words lose their weight when an Association press release a few days prior states that Lexus and Polo "help take our championship experiences to a new level of excellence. ..."

By the 12th paragraph of Mr. Hyler's speech, his words revealed the bold commercialism, which has assumed its place as one of the U.S.G.A.'s core functions, while leaving The R&A in third place behind the shirts and cars:

*... And this is even an important year for our relationships with our corporate partners. At the PGA Show just two weeks ago, we were pleased to announce a multi-year renewal of our partnership with Lexus, which since 2006 has provided a great service to the U.S.G.A. by providing the automobiles for our championships, as well as enhancing the on-site experience for the many fans who attend our championships. At the same time, we also announced a new relationship - this with Polo - who for the next five years will be the official apparel outfitter for the U.S.G.A. and the U.S. Open. Last but certainly not least, we remain strongly committed to enhancing our relationship with our most important partner internationally, The R&A. ...*

The lack of recognition for the attendance of Dr. Edgar R. Updegraff during the Bob Jones Award ceremony was emblematic of the current drift of affairs at the U.S.G.A. Dr. Updegraff, 88, was the 1999 Bob Jones Awardee. He played on three Walker Cup teams (1963, '65, '69) and was the non-playing captain of the 1975 team. He won numerous amateur titles at the national level and was the 1991 U.S. Senior Amateur Champion.

## INSIDE THIS ISSUE

COMMENTARY:  
Phoenix, Probability  
Fay's Exit and the Hunt

Dr. Updegraff made the driving trip to Phoenix from his home in Tucson in order to attend what may be the last, most convenient Bob Jones Award ceremony available to him. He was not looking for any special attention. Though his presence was known to staff and executive committee members, he was never acknowledged from the dais. He was the only previous winner in the audience.

So, the U.S.G.A. stage is set for 2011: Corporate branding, free cars, free pants, updates to the Amateur Status code, fiscal 2010 profits of \$14.5 million, the search for a new executive director, three incoming Executive Committee members, including the wife of a past president who is yet to be so identified in any U.S.G.A. press release, and an alacrity for overwhelming and rewriting the amateur mission of the U.S.G.A.

### *Gold* "For the Good of the Game"

#### Lexus And USGA Extend Partnership

Orlando, Fla. (Jan. 26) – Lexus and the United States Golf Association (USGA) announced today a multi-year renewal of their strategic partnership, ensuring that Lexus will remain the exclusive automotive partner of the USGA and the official car of the U.S. Open, U.S. Women's Open, U.S. Senior Open and U.S. Amateur.

"We are proud to extend our partnership with such a prestigious organization as the USGA. It represents our commitment to this long-standing relationship and to the game of golf," said David Nordstrom, vice president of marketing for Lexus. "Golf is something that our customers are passionate about, and the USGA shares our philosophy of supporting our customers' passions."

"As our original automotive partner, it is important to the USGA that Lexus has chosen to continue our successful relationship," said Barry Hyde, chief marketing officer of the USGA. "In addition to providing many vehicles, Lexus has made our national championships more entertaining and educational for golf fans by providing on-site interactive destinations at the U.S. Open, U.S. Women's Open and the U.S. Senior Open." ...

#### USGA Announces Long-Term Apparel Agreement with Polo Ralph Lauren

Far Hills, N.J. (January 27) – The United States Golf Association (USGA) has signed a five-year agreement with Polo Ralph Lauren that designates the company as the official apparel outfitter for the USGA and the U.S. Open Championship.

Under the agreement, Polo Ralph Lauren will outfit all USGA committee members and staff, as well as more than 5,000 volunteers at the U.S. Open, one of the

nation's preeminent golf championships. The company will also design and construct product display fixtures for the 39,000-square-foot Merchandise Pavilion at the U.S. Open, and serve as the championship's largest on-site apparel supplier.

The USGA conducts twelve other national championships for which Polo Ralph Lauren will provide USGA committee and staff apparel. The company will also outfit USA team members in the biennial Walker Cup and Curtis Cup Matches.

"One of the USGA's primary goals is to conduct the best championships in golf," said Mike Butz, interim executive director of the Association. "We are very excited about partnering with Polo Ralph Lauren, given their creativity and the quality of their apparel, to help take our championship experiences to a new level of excellence. We want to ensure that everyone who participates – from players to officials to spectators -- realizes they are part of something that is very special."

### Probability

#### Don't be FOOLED BY RANDOMNESS

Irony, intent, and coincidence often get randomly entangled. In fact, according to Nassim Nicholas Taleb, an authority on probability and the author of FOOLED BY RANDOMNESS, most things that are presented as probable or predictable are not. Mr. Taleb writes:

*Someone saying this [financial development] is a ten sigma [event] either (a) knows what he is talking about with near perfection (the prior assumption is that it has one possibility of being unqualified in several billion billions), knows his probabilities, and it is an event that happens once every several times in the history of the universe; or (b) just does not know what he is talking about when he talks about probability (with a high degree of certainty), and it is an event that has a probability higher than once every several times in the history of the universe. I will let the reader pick from this two mutually exclusive interpretations which one is more plausible.*

A chronological table of U.S.G.A.-related events that can only be characterized as random occurrences appears on the adjoining page.

After analyzing the table, consider the crowning, serendipitous collision of it all: By the terms of the U.S.G.A. Bylaws, Mr. Driver, in the years 2012 and 2013, will chair the U.S.G.A. Nominating Committee that will be charged with generating the Executive Committee and Nominating Committee slates for 2013 and 2014.

How random is that?

As Mr. Taleb cautions, "By refusing to accept randomness, you are vulnerable to illusions of certainty."

*continued on back page ...*

- 1994/'95 Reg Murphy elected U.S.G.A. president. Attempts but fails to find corporate sponsor(s) for U.S.G.A. Centennial Celebrations - *U.S.G.A. HANDBOOK; GL SOURCES*
- 1997 Mr. Murphy becomes president & CEO of National Geographic; trustees include James D. Kautz, limited partner at Goldman Sachs & Co.; officers include Christopher A. Liedel, National Geographic vice president of strategic planning and future member of the U.S.G.A. Nominating Committee [2005] and Executive Committee [2009 - present]. - *NATIONAL GEOGRAPHIC MAGAZINE*
- 1997 Walter Driver elected U.S.G.A. general counsel - *U.S.G.A. HANDBOOK*
- 1999 Mr. Driver elected to U.S.G.A. Executive Committee - *U.S.G.A. HANDBOOK*
- 2001 Among others, Mr. Murphy thanked during ceremonies for his efforts in bringing the 38th Walker Cup Match to Ocean Forest G.C., a Sea Island Co. golf community at Sea Island, Ga. - *GL sources*
- Feb '04 "... Reg Murphy said: 'The Advisory Committee of Past Presidents felt it was time to update the nominating process and we are glad the Executive Committee concurred. As the incoming chairman of the 2006 nominating committee, I felt too far removed from the current membership of the Executive Committee to do the job as adequately as a more current past president.'" - *U.S.G.A. press release*
- Sep '04 Mr. Driver, as U.S.G.A. vice president, at Executive Committee meeting at Sea Island during Mid-Am Championship, first explores replacement of David Fay as U.S.G.A. executive director. - *GL sources*
- 2006/'07 Mr. Driver elected U.S.G.A. president; simultaneously leaves King & Spalding law firm to become chairman southeast Goldman Sachs & Co. - *U.S.G.A. HANDBOOK*
- 2010/'11 Fred Ridley chairs U.S.G.A. Nominating Committee; Mr. Driver vice chairs. Committee to generate Executive Committee slates for 2011 and 2012 - *U.S.G.A. HANDBOOK*
- Feb 2010 Sea Island Co. retains Goldman Sachs & Co. to review solutions to their financial predicament. - *HOSPITALITY STYLE MAGAZINE*
- Mar 2010 In an article headlined RELATIONSHIPS DRIVE SEA ISLAND/GOLDMAN PAIRING reporters Trubey and Saporta wrote: "Enter Walter Driver, former United States Golf Association president, Augusta National Golf Club member and Southeastern chairman of the powerhouse Wall Street investment bank, who is said to be leading Sea Island Co.'s search for a buyer or equity investor in the iconic sea-side resort and golf mecca. ... Driver is the retired chairman of powerhouse Atlanta law firm King & Spalding LLP, the longtime attorneys for Sea Island Co., and is a director of Columbus based Total System Services Inc. or TSYS, (NYSE: TSS), the credit card processing firm and spin-off of Sea Island's lead lender, Synovus Financial Corp. (NYSE: SNV). - *ATLANTA BUSINESS CHRONICLE*
- Aug 2010 Agreement reached to sell Sea Island Company; Goldman Sachs identified as the financial advisor, King & Spalding as legal advisor. - *SEA ISLAND CO. PRESS RELEASE*
- Aug 2010 Goldman fees: \$150,000/mo. Retention Fee up to \$1 million (3 mos. paid in advance) plus Advisory Fee of 1.75% of the aggregate consideration paid in such transaction not to be less than \$4 million plus Break Fee of 30% of any break payment if any of the debtors enter into a separate transaction agreement; \$738,941.93 received from the debtors for professional services performed 90 days prior to the petition date. - *U.S. BANKRUPTCY COURT FILING*
- Oct 2010 Nominating Committee Report for 2011 nominates Diana M. Murphy, wife of Reg Murphy, along with two others, to become members of the Executive Committee. - *U.S.G.A. PRESS RELEASE*
- Oct 2010 Letter from Mr. Murphy describes a Wachovia loan and identifies Mr. Murphy as "chairman of a committee of Frederica property owners that is in talks with Sea Island and lenders." Frederica is a 3,000 acre golf community developed by Sea Island Co. - *BLOOMBERG NEWS*
- Nov 2010 Wells Fargo [Wachovia] takes deed to Frederica. - *BLOOMBERG NEWS*
- Nov 2010 In a BRUNSWICK [GA.] NEWS interview, Mrs. Murphy is quoted as saying: "Reg and I were completely stunned by the way this happened. I have been involved with watching Reg run the organization [USGA] ... But we were actually having dinner with the vice chairman of the nominating committee [Driver] and I honestly thought he was talking to Reg about potential candidates. He turned to me and said 'What about you?' I really thought he was kidding at first. It was not something that I had ever even thought about." - *GEOFFSCHACKLEFORD.COM*

## Fay's Exit as U.S.G.A. Executive Director The Search for a Replacement

Executive Committee member and U.S.G.A. Vice President Glen Nager, a Washington, D.C. attorney, was "sent in" to negotiate an exit settlement with David Fay, sources tell us. Who charged Mr. Nager with this job or whether Mr. Fay requested it is unclear. In any case, Mr. Fay, in his customarily subtle manner, was not about to let the fecundity of the moment - both material and ironic - pass without extraction. As counsel, Mr. Fay reportedly hired Jack Vardaman, master negotiator, Washington attorney, U.S.G.A. general counsel from 1999 to 2002, and a past Executive Committee member who was caught up in the 2004 Nominating Committee debacle. Details of Mr. Fay's exit settlement are unknown. It is notable, however, that communication of Mr. Fay's retirement came quickly and directly from him in the form of an email. This allowed Mr. Fay to spin before the U.S.G.A. spun with their press release that followed a bit later.

It was reported at the Annual Meeting that a dozen or so candidates are now identified as under consideration for the executive director's position. Four come from within the ranks of the U.S.G.A. staff and one from the Executive Committee. Alphabetically:

**Mike Butz** - U.S.G.A. Deputy Executive Director and the current Interim Executive Director - has spent 16 years working quietly and effectively in the shadow of Mr. Fay. He has a complete and thorough knowledge of the job and history in negotiating championship contracts. He has eschewed publicity which has made him more effective behind the scenes. How he might perform out of the shadows may be better revealed as he fills the interim position as executive director.

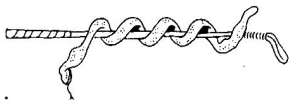
**Mike Davis** - U.S.G.A. Senior Director, Rules & Competitions - is highly respected for his performances in producing the Association's major championships since Tom Meeks's retirement in 2005. He is a master of the Rules, affable, insightful, self assured, and a good player. All of these qualities make him

respected by the press, the players, the U.S.G.A. staff, and the volunteers. How quickly he could assimilate the additional responsibilities of the executive director's job is being weighed. Should Mr. Davis be offered and accept the promotion, his replacement as Senior Director, Rules and Competitions would be of key importance. Mr. Davis is seriously interested in the job.

**Jeff Hall** - U.S.G.A. Managing Director, Rules & Competitions - is the likely one to take Mr. Davis's current job should Mr. Davis move to the executive director's position. Also a master of the Rules, Mr. Hall has worked so many years with Mr. Davis, and Mr. Meeks before him, that he could be easily directed in the production of the Association's major championships.

**Peter Bequavo** - U.S.G.A. Chief Business Officer - is vocal about his eagerness to become the executive director. His current title tells most of the story. Although he does not have a business degree, he is a lawyer and a favorite of Mr. Driver. Should he be selected to lead the Association, the message to the volunteers, staff and outside world will be clear: business trumps erudition in the game.

**Thomas O'Toole** - U.S.G.A. Vice President, Chairman of the Championship Committee, and member of the five-member, executive director search committee - is seriously interested in the position himself. He is arguably the most qualified among those outside the U.S.G.A. staff. Mr. O'Toole is a native of St. Louis and a lawyer. He has been involved as a U.S.G.A. volunteer since 1988. In 1992, he founded the Metropolitan Amateur Golf Association, a regional association that serves eastern Missouri and central Illinois. He, too, is a master of the Rules having officiated in more than 110 championships, including every U.S. Open since 1990. Since 2004, he has been a consulting or regular member of the Rules of Golf Committee that works directly with the R&A. He works knowledgeably with state and regional associations, is respected among the volunteers, has extensive championship experience, is a lawyer, and, as his years of volunteering demonstrate, is passionate about the game.



For D.M.M.:

"Shazam."

Gomer Pyle

Very truly yours,

Gary A. Galyean  
Editor & Publisher

Destinations included in GARY GALYEAN'S GOLF LETTER® are chosen at the discretion of the editors. All expenses related to the gathering of this information are paid by the publication. Rates quoted are subject to change without notice. Subscription rate is \$88 US per year (\$98US overseas); renewal rate from \$77US.



Back issues available to subscribers, \$10 each. Inquiries: GARY GALYEAN'S GOLF LETTER®, Box 320, 8949 S.E. Bridge Road, Hobe Sound, Florida 33455. Tel (772) 559.3382. Copyright 2011 Gary Galyean. Tag Galyean, Art Director. Quotation, reproduction or transmission in whole or part is prohibited.