



GARY GALYEAN'S GOLF LETTER

THE INSIDE REPORT ON WORLD GOLF

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Dear Subscriber:

SENATE COMMITTEE ON HOMELAND SECURITY Permanent Subcommittee on Investigations

"The PGA-LIV Deal: Implications for the Future of Golf and Saudi Arabia's Influence in the United States"

July 11, 2023, 10 a.m. Hart Senate Office Building

Sen. Richard Blumenthal (D-CT), Subcommittee chairman

[Today's hearing] is about how a brutal, repressive regime can take over a cherished American institution to cleanse its public image. ... It is also about hypocrisy. How vast sums of money can induce individuals and institutions to betray their own values and supporters or, perhaps, reveal a lack of values from the beginning.

Sen. Randal Paul (R-KY), ex officio

I see no constitutional power that suggests that Congress should involve itself in golf. ... We have no business asking the P.G.A. about their negotiations or about what they might do. It's not the business of government. ... If you join the P.G.A., you've got to obey some rules ... if you don't, they should have the right to exclude you ... you don't have to join the P.G.A..

So, I see a certain illegitimacy to the whole proceeding today — valid questions about Saudi Arabia that should be addressed, but we are not addressing the valid things — because we have a show trial essentially about a private organization, which I think is inappropriate.

TWO WITNESSES ATTENDED the Senate hearing: Ron Price, the P.G.A. Tour's chief operating officer; and James Dunne, a member since last January of the P.G.A. Tour Policy Board. Details of the agreement to pursue a merger between the P.G.A. Tour, DP World Tour (Europe), and LIV Golf were discussed during the three hours of questioning, as were motivating concerns of all parties that brought them to their June 6th announcement.

What we knew before the hearing:

During an exclusive interview with David Faber, CNBC's SQUAWK ON THE STREET co-anchor, one week after the FRAMEWORK AGREEMENT was signed (May 30) and just minutes after it was made public (June 6), Yasir Al-Rumayyan, governor of Saudi Arabia's Public Investment Fund (PIF), and Jay Monahan, commissioner of the P.G.A. Tour, described the document as a financial arrangement that made sense to the PIF and was a needed opportunity for the P.G.A. Tour.

After the interview, we learned that a late April meeting (the first of three meetings) took place in London between Mr. Al-Rumayyan and P.G.A. Tour Policy Board members James Dunne and Ed Herlihy. As

predicted in the June issue of THE GOLF LETTER, all parties feared legal discovery as a result of their pending legal fight. Stunning Messrs. Dunne and Herlihy, Mr. Al-Rumayyan stated that the PIF intended to drop all litigation against the P.G.A. Tour in exchange for nothing!

On April 4, shortly before the London meet-

INSIDE THIS ISSUE

Senate: Tours Merger Hearing
P.G.A. Tour Denounces Elite Ball
Birdies or Better
TV Betting & Mid-Year Trends



JAN VERMEER, WOMAN HOLDING A BALANCE

ing, U.S. District Judge Beth Labson Freeman issued two sealed orders from her bench in the Northern District of California. The first granted the P.G.A. Tour's request to depose the Kingdom of Saudi Arabia's PIF, as well as the PIF's governor, Mr. Al-Rumayyan, in the U.S. instead of Saudi Arabia. A lower court decision had allowed the depositions of the Saudis to take place in Saudi Arabia.

Judge Freeman's second order denied PIF and its governor's motion objecting to a lower court's authorizing the P.G.A. Tour to subpoena PIF and Mr. Al-Rumayyan under any circumstances. The judge required the Saudi parties to testify at depositions, and share e-mails and other sensitive materials.

You may remember Judge Freeman from August 2022 when she denied three LIV players' requests for a restraining order that would allow them to play in the 2022 FedEx Cup playoffs. Their argument was that not appearing in the playoffs would cause them to suffer financial and reputational losses. In her decision then, quoted by THE LONDON DAILY MAIL, Judge Freeman wrote:

Plaintiffs' contention that they will irreparably lose future sponsorship opportunities and career status is undermined by Plaintiffs' evidence that LIV Golf offers a refreshing new extremely fan-friendly business model that will lead to an improved broadcast output and entertainment experience compared to the staid old golf world built by the P.G.A. Tour. If LIV Golf is elite golf's future, what do Plaintiffs care about dust-collecting trophies of a bygone era?

The second major issue at the London meeting in late April—a second elephant in the room—was that the P.G.A. Tour's financial health was becoming unsustainable in light of increased purses provoked by LIV's purses, LIV's recruiting of top tour players, declines in tour television streaming revenues, and sponsor disenchantment with rising tour event costs. All of these were anticipated in our earlier reports.

Though both parties were relieved at the thought of an end to the litigation, that alone would not protect the tour against PIF's continued spending to promote LIV

and LIV's continued recruiting of top players in the future. Therefore, Messrs. Dunne and Herlihy pursued an agreement for the three parties—P.G.A. Tour, PIF, and the DP World Tour—to come together in an arrangement that would 1.) end litigation, 2.) give the tours needed cash, 3.) cease PIF competition, and 4.) give the PIF a seat at the table but without policy control.

On June 26, the FRAMEWORK AGREEMENT between the P.G.A. Tour, PIF, and DP World Tour was publicly released.

On June 27, the P.G.A. Tour's policy board, following a players meeting in Detroit, issued a statement that a new phase of negotiations were underway to determine if an agreement could be reached. "If future negotiations lead to a proposed agreement, [that agreement] would need approval by the tour's policy board," the statement read. The policy

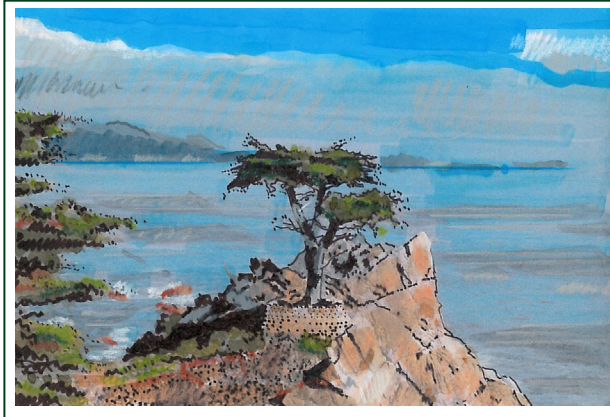
board—at this point—included five player directors and five independent directors.

On July 10, the day before the Senate hearing, Mr. Price admitted that the P.G.A. Tour mishandled the announcement of the FRAMEWORK AGREEMENT. He wrote:

Due to the confidential nature of negotiations surrounding the FRAMEWORK AGREEMENT, much of the initial reaction has been negative, colored by misinformation or misunderstanding. That's something we take full ownership of and deeply regret.

What was learned during the Senate Hearing:

- The FRAMEWORK AGREEMENT only puts the end of litigation in place. All the remaining points are operational and have yet to be agreed upon or ratified.
- There are a number of legal cases that exempt sports leagues, like Major League Baseball and university sports associations, from antitrust restriction.
- According to Mr. Price, the P.G.A. Tour saw themselves under unprecedented attack from LIV who was recruiting top tour players—thus necessitating those players' suspension from the P.G.A. Tour—and an August 2022 lawsuit requiring tens of millions of dollars in legal fees. Both of these realities threatened the tour's survival and were unsustainable. Therefore, the tour needed to pursue a settlement with the PIF while also maintaining control of their corporate structure.



TAG GALYEAN, *LONE CYPRESS, 17-MILE DRIVE*

- Judge Freeman’s decisions in April 2023 gave the P.G.A. Tour legal victories and the lever with which to negotiate from strength. PIF did not want to be deposed.

- Mr. Price concluded that the P.G.A. Tour had two choices: a.) continue to endure the expense of litigation while permitting LIV to takeover the leadership of professional golf; or b.) settle the litigation and form a new company into which the PIF would invest “something north of \$1 billion”, and the tours would control policy.

- The P.G.A. Tour did not pursue alternate sources of funding e.g. private American investors because LIV and the PIF would have continued their assault.

- Under the FRAMEWORK AGREEMENT all parties are bound by a non-disparagement agreement, which is not uncommon in these sort of business situations.

- When the witnesses were asked by Sen. Roger Marshall (R-KS), “Who’s losing [in this agreement]?” Mr. Dunne’s answer was, “The lawyers.”

- Sen. Josh Hawley (R-MS) was the only senator to question the P.G.A. Tour COO about the tour’s agreement with China titled “the P.G.A. China Series”. Mr. Price responded that the China Series had not operated since 2019, the tour had not received any money from China since that date, and the tour had no plans to continue in any way in China.

Upon re-questioning a few minutes later by Sen. Hawley, Mr. Price admitted that the reason there were no tour dealings with China since 2019 was because of the Covid/Wuhan shutdown, and that the 20-year agreement with China, signed in December 2017, is still in effect.

- Sen. Hawley also asked why the tour excluded the required disclosure of their Chinese operations and investments in their tax filings and reports with the U.S. government. Mr. Price said he was unaware and would look into that.

What we have learned following the Senate Hearing:

On July 20, Martin Slumber, R&A chief executive, during his pre-Open press conference said that he is open to the idea of “an option” that would create an exemption category for LIV players into the Open.

Also, he was receptive of the FRAMEWORK AGREEMENT. “We’re not party to the [Framework Agreement],”

Mr. Slumbers said perfunctorily, “and while we absolutely welcome an end to the disruption in the men’s professional game, there is a lot still to be understood.”

In an additional comment disappointing to those holding Icarian concern for the future of golf’s fundamental traditions—no matter how small, Mr. Slumbers said, “I think the world has changed in the last year. It’s not just golf. You’re seeing it in football. You’re seeing it in F1. You’re seeing it in cricket. I’m sure tennis won’t be that far behind. The world of sport has changed dramatically in the last 12 months, and it is not feasible for the R&A or golf to just ignore what is a societal change on a global basis.”

We suggest that it would be a shame for the R&A to abdicate their leadership role, no matter how slightly, due to nugatory peer pressure. As Rear Admiral C.H. Layman commented at the conclusion of the H.M.S. *Wager* mutiny trial in 1746, “[There was] an uncomfortable whiff of justification” in the Admiralty’s decision not to prosecute a conspicuous mutiny aboard H.M.S. *Wager*.

Also speaking to reporters before the Open, Jon Rahm said that he does not expect to be rewarded for staying loyal to the PGA Tour but does expect those who left the tour for LIV to be punished.



TAG GALYEAN, *HARDING PARK, SAN FRANCISCO*

On August 1, FORTUNE MAGAZINE reported that the PGA Tour’s Policy Board will be altered to add two more members—an additional player and the P.G.A. of America director. This will mean there will be six players, five independent directors, plus the director of the P.G.A. of America i.e. the club professionals.

NBC SPORTS then reported that Tiger Woods himself requested a place on the policy board. Later, Mr. Woods released a statement saying he was honored and that “the players will do their best to make certain that any changes that are made in tour operations are in the best interest of all tour stakeholders, including fans, sponsors, and players.”

The WASHINGTON POST reported that a group of 41 players—including Scottie Scheffler, Rory McIlroy, Jon Rahm, Justin Thomas and Mr. Woods—sent a letter to Comm’r Monahan on July 31 requesting Mr. Woods appointment.

Player members of the board now include Patrick Cantlay, Charlie Hoffman, Peter Malnati, Rory McIlroy,

Webb Simpson, and Mr. Woods. Independent directors include Ed Herlihy (chairman), Jimmy Dunne, Mark Flaherty, Mary Meeker, a yet-unannounced replacement for Randall Stephenson, and John Lindert, director of the P.G.A. of America.

In addition to Mr. Woods' appointment to the policy board, it was requested and the tour agreed to include:

- Amending the policy board's governing documents so that player directors must have involvement in and approve future major decisions;
- The player director's special advisor, Colin Neville, being fully aware of negotiations around the FRAMEWORK AGREEMENT and having full access to documents and information; and
- Player directors having full transparency and authority to approve or decline any changes to the tour as part of the FRAMEWORK AGREEMENT discussions.

Mr. Woods' addition to the board was praised by various tour and LIV players alike.

**P.G.A. Tour Does Not Support Elite Golf Ball
“Not Warranted and not in the Best Interest of the Game.”**

Following the Open at Hoylake — and therefore the end of the 2023 major championship season — the P.G.A. Tour made it clear they are not in favor of the R&A and U.S.G.A.'s announced intention to propose to introduce a Model Local Rule option for golf balls used in elite competitions. The modified ball is expected to reduce hitting distance by 14-15 yards.

Under the proposed new testing criteria balls would be tested at a clubhead speed of 127 mph and 11 degrees of launch rather than the current 120 mph and 10 degrees of launch. The proposed 127 mph is 12.1 mph faster than the average clubhead speed on the P.G.A. Tour.

The proposed speed is anticipated to deem nearly every ball now being made as non-conforming, as they would exceed the 317-yard limited currently set by the R&A and the U.S.G.A. If an elite ball were produced to meet the proposed standard, and then be used in major championships, some have estimated that a 300-yard drive would be curtailed to 280-5 yards.

In a memo, Comm'r Monahan wrote:

Although there has been some level of support for limiting future increases, there is widespread and significant belief the proposed Modified Local Rule (MLR) is not warranted and is not in the best

interest of the game. Following a discussion on the topic at a recent Player Advisory Council meeting, we have notified the U.S.G.A. and the R&A that while the P.G.A. Tour is committed to collaborating with them — and all industry partners — to arrive at a solution that will best serve our players, our fans, and the game at all levels, we are not able to support the MLR as proposed.

The U.S.G.A. responded to the tour's announcement as follows:

We remain in a Notice & Comment period, accepting feedback from voices from across the game. The P.G.A. Tour is an important stakeholder and we appreciate the feedback they have contributed to this conversation.

If adopted, the proposed Modified Local Rule would be available in 2026. The Open will presumably return that year to St. Andrews.

**Birdies or Better
Majors, Playoffs, and Tour Championship**

Reflecting on the P.G.A. Tour's having denounced an elite ball for professional competitions, the following seems pertinent in considering whether or not such a move is warranted or hurtful:

	Course	Length/Slope	Winner & Runner-up	Birdies or Better	Winning Score
— 2023 Majors —	Augusta	7,485 148	Rahm Mickelson	20 21	-12 -8
	Oak Hill [East]	7,334 151	Koepka Scheffler	18 14	-9 -7
	Los Angeles [North]	7,236 143	Clark McIlroy	20 17	-10 -9
	Hoylake	7,350 110	Harman Straka ^{t2}	18 21	-13 -7
	Old Course [2022]	7,201 136	C Smith C Young	23 26	-20 -19
— 2023 Playoffs —	St. Jude	7,244 149	Glover Cantlay	18 20	-15 -15
	Olympic Fields	7,343 150	Hovland Fitzpatrick	22 21	-17 -15
	Eastlake	7,397 144	Hovland Schauffle	21 23	-19/-27* -19/-21*

* after starting strokes were applied

It can be argued that 15 yards in the freezing of equipment and ball performance is a small change to ensure that older, important courses remain in the rotation of major championships — in a game already bifurcated by athletic performance. Think baseball.

Concurrent Live Television Wagering Integrated In-Game Streaming

Tapp (sic), a payments processor based in New York, formalized an agreement last month for in-game betting during the Rugby Network's 2024 season. When implemented, this will be the first time those watching a live sporting event will be able to watch games and place bets concurrently from televisions and digital devices.

Betting within real time sports broadcasts is the one obvious market where sports betting has yet to exist since the U.S. Supreme Court legalized sports betting by striking down a 1992 federal law in *Murphy v. National Collegiate Athletic Association*, No. 16-476. U.S. sports betting is estimated at \$150 billion annually.

Golf Participation: Midyear Trends Update United States & Globally

U.S.: The National Golf Foundation (N.G.F.) reports three straight months of "meaningful" year-over-year gains in rounds played, as follows: April +7.8 percent, May +10 percent, and June +5.5 percent.

Thirty-five of the past 37 months—since the lifting of Covid/Wuhan-related restrictions—have outperformed their pre-pandemic equivalents. The two under performing months were both the Aprils, which is historically the most variable month due to weather.

Twenty-four of those same 37 months topped their peak equivalent going back to 2007. Going into July, the U.S. was less than a single point behind the



For J.W.M.IV and the P.G.A. Tour Policy Board:

*Why can't you see,
What you're doing to me,
When you don't believe a word I say?*

*We can't go on together,
With suspicious minds (suspicious minds).
And we can't build our dreams,
On suspicious minds.*

Elvis Presley. Written by Mark James.
SUSPICIOUS MINDS, 1969

record pace set at midpoint 2021, and more than 15 percent ahead of the pre-pandemic longer-term, as golf continues to invade popular culture, modernize its brand, and grow its product portfolio - thus becoming increasingly competitive in an increasingly competitive marketplace - our expectation is for things to continue trending, more or less, as they are.

The Rest of the World: Aug. 2 - The R&A reported that an additional 10 million adult golfers are playing the game worldwide. There are now 39.6 million on-course—9 and 18 hole players, as opposed to those using par-3 courses, indoor simulators, and driving ranges—in the R&A affiliated market i.e. all nations other than the U.S. and Mexico.

Their research indicates a 34 percent increase from 29.6 million golfers pre-Covid/Wuhan and 34.5 million players in 2020. The data is provided in a new GLOBAL GOLF PARTICIPATION REPORT that, for the first time, collectively measures the R&A affiliated markets in Asia, Africa, Canada, the Caribbean, Central and South America, Europe, the Middle East, and Oceania.

The document reports that 61.2 million (outside the U.S. and Mexico) engage with the sport either on-course or in off-course venues i.e. simulators, range, etc.

The top five, non-U.S., on-course, adult markets in 2023 are:

Japan - 8.1 million
Canada - 5.6 million
Republic of Korea - 5.4 million
England - 3.4 million
Germany - 2.1 million

Asia is the leading region, according to the report, "for people engaging in golf among R&A affiliated regions, with total engagement of 22.5 million". Europe comes second to Asia with 21.1 million adults engaging.

Yours very truly,

Gary A. Galyean
Editor & Publisher

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