



Statement of

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Committee on Homeland Security
and Governmental Affairs
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Chairman Blumenthal, Ranking Member Johnson, and Members of the Subcommittee, thank you for the opportunity to testify today regarding the PGA TOUR, Inc. (“Tour”). I am pleased to join Jimmy Dunne, an independent director of our Policy Board, in addressing your questions about the future of golf. This is my twenty-ninth year as an employee of the Tour, and I was a Tour consultant for five years prior to becoming an employee. I serve as Chief Operating Officer at the Tour and most recently have been co-leading the Tour while Commissioner Monahan is on medical leave.

Let me start by saying that our goal is to protect an American institution that generates approximately \$200 million for 3,000 charities through tournaments across 34 states in a single year, brings the highest level of sports and entertainment to millions of fans around the globe, and provides the most pro-competitive, legacy-driven platform for the world’s best players.

That goal—our core mission—has been under threat for the better part of two years. When the Saudi-funded LIV Golf Tour launched its inaugural series in 2022, the Tour faced an unprecedented attack. In defending our organization and its regulations—regulations that each member agrees to at the start of every season—we were forced to suspend those players who made the choice to play for LIV Golf; they could play for the new league, but they could not come “back and forth” to freeride off the work and platform of the collective membership they had left behind. In August 2022, we were sued in an effort to invalidate our regulations. This created a fracture in golf unlike anything our sport had experienced in decades and created a division in our closely knit, membership organization.

We believe that we did everything we possibly could to defend what we stand for, including spending tens of millions of dollars to defend litigation instigated by LIV Golf, significant funds diverted away from our core mission to benefit our players and generate charity. As part of the litigation, we were successful in securing a court ruling that the Public Investment Fund (“PIF”) was not protected under sovereign immunity with respect to litigation discovery and potentially liability, something which had never been done before in the United States. Meanwhile, we have seen the continued strength of the Tour thanks to the loyalty, talent, and performance of the remarkable players we are proud to call members of the PGA Tour.

Regardless, it was clear to us—and to all who love the PGA Tour and the game of golf as a whole—that the dispute was undermining growth of our sport and threatening the very survival of the PGA Tour and it was unsustainable. While we had significant wins in the litigation, our players, fans, partners, employees, charities, and communities would lose in the long run.

Instead of losing control of the PGA Tour, an American institution and tradition, we pursued a peace that would not only end the divisive litigation battles, but would also maintain the PGA Tour's structure, mission, and longstanding support for charity. While negotiations toward a definitive agreement are currently underway—and there are no guarantees that we will receive the ultimate approval from our Policy Board, including five Player Directors—the framework agreement contains important safeguards that ensure the Tour will operate fundamentally as it does today: the Tour will control operations, the Tour will control the board of the new subsidiary, and the Tour will be the governing body for competitive golf in connection with any combined golf operations. The agreement provides clear, explicit, and permanent safeguards that ensure the Tour will lead the decisions that shape our future, and that we will have control over our operations, strategy, and continuity of our mission.

As I began my testimony, our goals are achieved through this framework agreement. Of course, I understand the need for additional clarity around how and why the deal came together, and I welcome the opportunity to shed light on the predicament we found ourselves in—one we did not seek, nor one that we could sustain indefinitely—but one for which we have found a workable, productive solution that benefits all who love the game of golf and the PGA Tour.

The remainder of my testimony provides additional details regarding the Tour, the litigation, and the framework agreement that resolved the litigation.

The PGA Tour

The Tour is the world's premier membership organization for touring professional golfers. It sanctions tournaments on the PGA Tour, PGA Tour Champions, Korn Ferry Tour, PGA Tour Latinoamérica, and PGA Tour Canada. The tour has more than 150 active player members from the United States and more than 80 international members from 24 countries and territories.

The PGA Tour is a tax-exempt membership organization, as described in section 501(c)(6) of the Internal Revenue Code. Its principal mission is to promote the sport of professional golf through sanctioning and administering golf tournaments, and promoting the common interests of its membership of touring golf professionals. The Tour provides competitive earnings opportunities for members, protects the integrity of the game, and helps to grow the reach of the game in the United States and around the world. We hold tournaments in 34 U.S. states and nearly a dozen countries around the world. Television coverage of the PGA Tour is broadcast to 200 countries and territories in 26 languages.

In addition to promoting and building the sport of professional golf, the Tour has a longstanding commitment to generating substantial charitable contributions in the communities where its tournaments are played. Even though the Tour is a 501(c)(6) membership organization, and not a charitable organization under section 501(c)(3), the Tour has chosen to structure its tournaments whereby the net proceeds of the tournaments are contributed to local charities. Through its charitable activities, the Tour has supported local healthcare, education, youth development, disaster relief, food banks, military programs, and other causes. Last year, the Tour and its tournaments generated \$215 million for 3,000 charities. Some examples include its support for grantees, including the Hole in the Wall Gang Camp in Connecticut; American

Family Children’s Hospital in Wisconsin; and Evans Scholars Foundation in Delaware. In its 54-year history, the Tour and its events have generated \$3.6 billion in charitable giving. In addition, the events sponsored by the Tour help support the additional charitable efforts of Tour members through their individual foundations and fundraising activities.

Litigation Related to LIV Golf

As I mentioned, in August 2022, a group of LIV players filed a federal lawsuit against the Tour seeking to invalidate the Tour’s regulations that had made the players ineligible to play in Tour events due to their participation in LIV Golf events. In addition, certain players sought an emergency temporary restraining order to block the Tour from enforcing its regulations. Although the Tour prevailed in defeating the temporary restraining order, the principal litigation continued, and the Tour spent the last year engaged in expensive and divisive litigation.

In late 2022, PIF sought to quash certain discovery requests on the grounds that PIF was immune from lawsuits in the United States under principles of sovereign immunity as specified in the U.S. Foreign Sovereign Immunities Act. In February 2023, in a critical decision, the court ruled in favor of the Tour, concluding that the activities at issue were subject to a “commercial activity” exception to foreign sovereign immunity. PIF appealed this decision, and the appeal was pending at the time of the framework agreement that settled the litigation.

Although the Tour had some significant procedural victories and remains confident in its legal positions in the case, the Tour concluded that protracted litigation was not in the best interests of the players, fans, or the sport of golf. In addition to the financial burden on the Tour, the litigation imposed significant burdens and distractions on others involved in golf, particularly players, sponsors, and other golf organizations that were drawn into the litigation between the Tour and PIF. Years of complex litigation would have been enormously expensive, divisive, and harmful to the Tour, players, fans, and the sport.

Framework Agreement to Resolve the Litigation

The Tour, DP World Tour, and PIF entered into the framework agreement on May 30, 2023, and the agreement was publicly announced on June 6, 2023. The agreement contains two principal binding elements: the complete dismissal of the litigation between the parties and an agreement not to solicit or recruit the players of the other organization. Overall, the Tour achieved very significant objectives in the agreement through the dismissal of the litigation and a commitment that any further agreement would preserve its important role in leading and promoting competitive professional golf. The agreement contemplates the negotiation of a definitive agreement that would include establishing a new commercial subsidiary of the Tour into which the parties will contribute their commercial and golf assets. The framework agreement will terminate at the end of 2023 if the parties do not reach a final agreement. It is far from clear whether a final agreement will be reached, and our Policy Board, which includes players, would be asked to review and approve any final agreement. Whether or not a final agreement is reached, however, the litigation is over. It has already been dismissed and cannot be refiled even if further negotiations over a final agreement do not prove successful.

The executed framework agreement, which has been provided to the Subcommittee, includes the following binding provisions: Paragraph 6 requires the dismissal of all pending litigation and arbitrations with prejudice, meaning that the litigation claims cannot be reopened or refiled. Following the agreement, all litigation claims were dismissed. Paragraph 6 also requires the parties to refrain from soliciting players from other tours while negotiations continue on a potential definitive agreement.

In addition, the agreement contains a number of provisions related to the structure of a potential further agreement regarding the combination of the parties' commercial and golf operations: Paragraph 1 indicates the parties will negotiate in good faith for the creation of a new Tour subsidiary into which the Tour and the DP World Tour will contribute their commercial operations, and the PIF will contribute LIV and its golf assets. Paragraph 1 additionally provides that PIF will make an investment in the new entity and will have a right-of-first-refusal on potential future capital investments in the new company.

Paragraph 1 provides that the Tour will maintain a controlling voting interest in the new entity, regardless of any investment by PIF. The Tour's control of the new entity was a critical component of the agreement for the Tour. Paragraph 2 of the agreement further provides that the Tour will be the competition manager for all golf-related commercial businesses under the agreement.

The Tour's Tax-Exempt Status and Charitable Commitments

The Tour fully intends to continue to meet the applicable requirements and remain a 501(c)(6) tax-exempt membership organization, regardless of the outcome of the discussions with PIF regarding a potential further agreement, and it is fully committed to continuing in its charitable tradition of donating the net proceeds of the tournaments to charity. Importantly, the framework agreement does not address or affect the Tour's tax-exempt status—nor was it ever a deal point in the negotiations. Under U.S. tax law, a nonprofit entity may maintain a for-profit entity, subject to certain requirements, and if the Tour and PIF were to reach a further agreement to combine their golf operations, the Tour intends to operate the new entity consistent with those requirements.

Thank you for the opportunity to testify today, and I would be happy to answer your questions.