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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

JOSHUA SHEINKMAN, STAFF DIRECTOR
GREGG RICHARD, REPUBLICAN STAFF DIRECTOR

June 15, 2023

Jay Monahan IV
Commissioner
PGA TOUR
1 PGA TOUR Boulevard
Ponte Vedra Beach, FL 32082

Ed Herlihy
Chairman
PGA TOUR
1 PGA TOUR Boulevard
Ponte Vedra Beach, FL 32082

Cc: Ron Price, Chief Operating Officer
Cc: Tyler Dennis, Executive Vice President

Messrs. Monahan and Herlihy:

I write with serious concern about the reported merger agreement framework between the PGA Tour and the Kingdom of Saudi Arabia's Public Investment Fund (PIF). The PGA Tour's involvement with PIF raises significant questions about whether organizations that tie themselves to an authoritarian regime that has continually undermined the rule of law should continue to enjoy tax-exempt status in the United States. In addition, I believe it is critical that lawmakers understand what risks this arrangement may pose to America's national interests, particularly with respect to foreign investment in U.S. real estate, such as locations neighboring military facilities or sensitive manufacturing centers, and how you plan to mitigate those risks.

As you know and have previously acknowledged in public statements, the Kingdom of Saudi Arabia has committed gross violations of human rights in the Middle East, abroad, and here in the United States. The Saudi government has a long history of detaining dissidents, torturing women's rights activists, and carrying out arbitrary killings. As you are well aware, the Saudi regime was publicly named responsible for the heinous murder of journalist Jamal Khashoggi in 2018, following a law I wrote. Following another law I authored, the United States Government made clear to the public that the Saudi government has a long history of helping criminals accused of violent crimes flee from the U.S. justice system, including after the manslaughter of teenager Fallon Smart in Portland, Oregon. The Kingdom of Saudi Arabia has continually undermined the rule of law around the world, and like other autocracies of decades past, is attempting to invest in sports as a way of cleansing its reputation. In fact, in June 2022, you publicly agreed that the Saudi Arabian LIV Golf endeavor was a "foreign monarchy that [was] spending billions of dollars in an attempt to buy the game of golf."

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After more than a year of suspending and publicly scolding PGA players for accepting large buyouts from Saudi-backed LIV Golf, you are now personally pushing for a Saudi-backed buyout of the PGA Tour. Given the Tax Code's prohibition on Section 501(c)(6) organizations providing any private benefit to any individual, I have serious questions about any compensation arrangements, formal or informal, proposed as part of this merger framework intended to personally and financially benefit the already lavishly-compensated officers and employees of the PGA Tour. According to the most recently available documents filed with the IRS by the PGA Tour, Commissioner Monahan's annual compensation in 2021 totaled nearly \$14 million (almost double the compensation he received in 2017 when he became Commissioner), and the Tour and affiliated organizations paid 19 officers and employees more than \$1 million annually-- at a total cost of more than \$63 million for your top staff. In addition, IRS filings and public reporting indicate that Commissioner Monahan and other Tour officials make extensive personal use of the PGA-owned jet for trips in the United States and abroad. It is difficult to rationalize how any further increases in compensation to Tour executives would be in the best interest of the PGA Tour or further the Tour's tax exempt purpose.

In addition to concerns about executive compensation, reports that the law firm Wachtell, Lipton, Rosen & Katz is serving as legal advisor on the transaction raise significant questions about conflicts of interest, given that the Ed Herlihy simultaneously serves as the Chairman of the PGA Tour's Board of Directors, and is a partner at the law firm, serving as the Co-Chairman of the law firm's Executive Committee.

The details that have emerged about the merger agreement thus far also raise broader questions about the appropriateness of the continued tax exemption of the PGA Tour in light of its relationship with Saudi-backed LIV Golf. The letter sent to PGA Tour members on June 6, 2023, stated that the PIF is contributing its golf-related commercial businesses and rights (including LIV Golf), along with a significant financial investment, toward minority equity ownership of a new, collectively held, for-profit LLC. This new collectively held entity (hereinafter "the new entity") will also include the PGA Tour's commercial businesses and rights, as well as those of the PGA European Tour ("DP World"). I have a number of questions relevant to the jurisdiction of the Senate Finance Committee, particularly if the PGA Tour is intended to remain tax-exempt after the completion of the merger and whether the PIF will directly or indirectly own U.S. real property or business assets.

This proposed transaction has raised many serious questions and concerns since its announcement. It is incumbent on Congress to review whether the tax exemption provided to sports leagues is appropriate in the case of a foreign autocracy seeking to acquire substantial influence in a U.S. sports institution for the clear purpose of trying to cleanse the regime's public image. To that end, I ask that you brief my staff on the details of the reported merger agreement framework as soon as possible. In addition, I ask that you please answer the following questions related to the the merger no later than June 23, 2023:

With regard to the structure of the new affiliate for-profit entity:

1. Please provide a detailed description of the ownership structure of the new entity.

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2. Please provide a list of all individuals and entities that will own more than 5% of the shares of the new entity. Please also include the percentage of equity ownership each individual or entity will own of the new entity, including the PIF.
3. The Committee's understanding is that the PIF will have exclusive rights to invest further in the new entity. Is that accurate? If so, please describe in detail these provisions in the framework agreement.
4. The Committee's understanding is that the PIF will have the right of first refusal on any outside investments in the new entity. Is that accurate? If so, please describe in detail these provisions in the framework agreement.
5. Has the PGA Board of Directors voted to approve the PGA Tour's contribution to this new entity? If not, will it have a vote and will that vote take place after Commissioner Monahan returns from medical leave?

With regard to executive compensation and responsibilities under the new framework:

6. Please describe the financial investment the PIF and any other Saudi owned entities will be making in the new entity. In your response, please specify the dollar amount the PIF has committed to invest in the new entity under the terms of the framework agreement.
7. Please provide a detailed description of Yasir Al-Rumayyan's responsibilities as the Chairman of the Board of Directors overseeing the new entity's golf-related commercial operations, businesses and investments.
8. Please describe the compensation agreement for the executive leadership of the new entity, including salary, bonuses and number and/or percentage of shares the CEO, President and any other executive leadership will own of the new entity.
9. Please describe the compensation agreements of any other current PGA executives as part of the new entity, including Ed Herlihy and Jimmy Dunne.
10. Please provide a detailed description of the structure and voting powers of the board of directors of the new entity, including whether any individuals on the board will have veto power over the board's decisions. Please also provide a list of individuals who will serve as members of the board of directors of the new entity.
11. Please explain how Commissioner Monahan will simultaneously serve as PGA Tour commissioner while serving as CEO of the new entity.
12. Please list and describe any business or financial arrangements between members of the PGA Tour Board of Directors and any person related to PIF or LIV Golf.
13. Please list and describe any business or financial arrangements between members of the PGA Tour Board of Directors and any outside entity involved in arranging, advising, or executing on the proposed transaction.
14. Is Wachtell, Lipton, Rosen & Katz ("Wachtell Lipton") providing legal representation services to the PGA Tour related to the framework agreement? If yes, please provide a detailed description of any legal fees being received by Wachtell Lipton related to the framework agreement. Please also describe Ed Herlihy's role in this transaction.
15. Please explain how the PGA Tour is addressing any conflicts of interest regarding Ed Herlihy's simultaneous roles as Chairman of the PGA Board of Directors and a partner/co-chair of Wachtell Lipton.

With regard to compliance with the Internal Revenue Code:

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16. According to public reports, as PGA Tour Commissioner, you have extensively used a PGA Tour-owned jet for personal purposes. These uses of the PGA Tour owned jet include 17 trips to Steamboat Springs, Colorado and travel to Montana, Nantucket, St. Lucia and Turks and Caicos. Please provide a list of all trips taken on a PGA Tour owned jet for personal travel.
 - a. Please also provide a list of all disclosures the PGA Tour has made in tax filings with the IRS related to Monahan's use of the jet for personal reasons, and whether Monahan has reimbursed the PGA Tour for personal use of the jet.
17. In an April 15, 2015, letter to Senate Finance Committee members, the PGA stated that "The PGA has no teams, no owners and no stockholders or investors who are motivated by the bottom-line profits of the organization." Please reconcile this statement with the contribution of the PGA Tour's commercial businesses and rights to the new entity, which is a for-profit business subject to unlimited foreign investment by the PIF.
18. After the transaction, will the PIF own, directly or indirectly, any interest in any U.S. real estate?

With regard to national security:

19. Please provide a list of PGA Tour-owned real estate, including locations of any golf courses, buildings or land, and identify any existing or additional rights and uses of the property accorded to the PIF under the framework agreement.
20. Please describe any restrictions that will be placed on access rights by the PIF to any PGA Tour-owned real estate, including any restrictions on selection of vendors to operate and maintain these locations or to execute any PGA Tour events.
 - a. Please also describe any restrictions that will be placed on access to PGA Tour data about fans acquired through ticket sales or smartphone apps, or data collected on visitors to PGA Tour facilities, including sensitive personal, biometric or geolocation data.
21. Will the PGA's current rule prohibiting players from making comments "that a member knows, or should know, will harm the reputation or financial best interests of PGA TOUR," be enforced to censor players who would voice criticism regarding the Kingdom of Saudi Arabia?
 - a. Are there any provisions of the agreement that would protect players' free speech with regard to the Kingdom of Saudi Arabia?

I appreciate your engagement with members of Congress regarding this merger framework agreement. Please respond to my office promptly in response to the above questions.

Sincerely,



Ron Wyden
Chairman, Senate Finance Committee