



PRE-TOURNAMENT INTERVIEW TRANSCRIPT:

COMMISSIONER TIM FINCHEM

Wednesday, January 22, 2014

MARK STEVENS: I would like to welcome PGA TOUR Commissioner Tim Finchem. Commissioner, you have a special announcement if you want to start off with that.

COMMISSIONER FINCHEM: Good morning, everyone. Thanks for joining us this morning. First of all, let me say that before I get into this announcement, that we're pleased to be here at Farmers this week and back at Torrey Pines.

I think everybody's aware that Farmers and Zurich together have been a great partner of ours for a good number of years and they've contributed so much to the growth of this tournament here in recent years and we appreciate that. I think all of us at the TOUR believe Peter Ripa and his team also have done a fine job in improving the staging and marketing of the tournament here as well.

I would also just comment that we're off to a great start with our season. We like the way the wraparound season has begun, but even more than that we like the weather we've enjoyed over the last few weeks compared to the weather we didn't enjoy the first few weeks last year, so hopefully that will hold.

You may recall at last year's PLAYERS Championship I announced that we would spend the rest of 2013 and into '14 telling the story of our charitable involvement and what our tournaments do week in and week out to help people. We were looking toward that moment when we reached \$2 billion in total giving and so we created a campaign called \$2 Billion & Beyond, and during the course of last year, whether it be through charitable public service announcements, sound bytes from players, commentary from our television partners, discussion with our players and a wide variety of media, we concentrated on bringing home to our fan base and to our customer base how important the charitable relationship is to us, why it's a big part of our culture, and why we were committed to growing it going forward.

I'm delighted to announce today that we can say now with certainty that we've just passed the \$2 billion point historically in total dollars raised by our tournaments and by the PGA TOUR directly.

When you consider that charity on the PGA TOUR started with a \$10,000 check in 1938 at the Palm Beach Invitational and 67 years later in 2005 we passed the \$1 billion mark, I think it's a great testament to everybody involved in the current-day TOUR that in just these past eight years, a second billion dollars was reached as well.

I specifically would like to thank the different constituencies and partners that we have

who have made this possible starting with all of our tournaments, the volunteers that support the tournaments, the host organizations that conduct the tournaments. They have week in and week out done a tremendous job in reaching out to the communities where they play and encouraging the relationships that are necessary to make these numbers happen.

Secondly, I would like to thank our partners, our sponsors who increasingly, particularly in the last 10 years, have become not just in favor of but very much involved in all the things that go to grow the charitable impact of our tournaments.

Third, I would like to thank our television partners for telling the story along with all of you in the media who have covered the story, because by that information getting out, it helps us reach more people and bring them under the charitable umbrella.

I would also like to thank our fans and our customers, the people that buy our tickets, the people that buy our corporate hospitality, the individuals and companies that buy our pro-am spots. Those are the folks that fund what's happened at our tournaments and then the dollars eventually go to the net bottom line, which goes to charity.

Lastly, I would like to thank our players. Our players for many, many years have endorsed the idea of leaving behind in the communities where we play significant amounts of dollars. In recent years, certainly last 15 or 20 years, players have increasingly taken up the cause on their own, created their own charities, their own foundations and we have estimated that last year the total amount of charitable generation by players outside of the tournament structure approached \$35 million. So we appreciate the commitment that players have had and the TOUR Wives Association as well for working with local charities and tournaments every week, making themselves available to support sponsor activity, and by virtue of that, making the whole thing work.

Going forward, our goal is to continue to grow the charitable impact, and I know that in the stories we've tried to tell we focus on what these dollars do to change lives and to improve lives. The \$2 billion number is just a number, it's just a point in the road. The reason we decided to focus on it was because by focusing on it we get more folks' attention. If we can get more people's attention and they realize that when they buy a ticket, play in a pro-am, their company invests in hospitality, a percentage of those dollars is going to the bottom line, staying in the community to help players, and last year that was a record amount in excess of \$130 million.

So this is our culture, this is what we're involved in, and it's great to be able to take a moment and reflect on the great success that all these people have had in making this happen.

And for all of us, we are looking forward to a point in time when we can be having a conversation about the third billion dollars, and no, I'm not going to just yet project

when that's going to happen.

With that, I would be happy to try to answer your questions.

Q. To change gears, apologies, but the NHL and the Major League Baseball will now have a centralized locations for reviewing possible plays and issues that are -- where there's a question.

I know the TOUR in the past has attempted to have an official monitoring broadcasts, but that was before YouTube and DVRs and high definition. With the continuing number of replay issues that we seem to keep having, is that something that you feel needs or should be revisited or could be revisited in light of what the other leagues are doing and how it's impacting our sport?

COMMISSIONER FINCHEM: Well, we review, we watch the telecast. There's not a moment of the telecast we don't watch. With respect to one of our rules officials watching the telecast, that's different. We have experimented with that in the past, we don't do it at the moment, but we talk about it invariably, different ways to deal with these issues. That's something that we continue to consider, but we're not doing it right at this moment.

Q. Going back to the \$2 billion mark, a couple of different questions. For the average fan they buy their tickets (inaudible) with respect to the event. Secondly, why do you think it took eight years to get to that point (inaudible)?

COMMISSIONER FINCHEM: Could you repeat the first part?

Q. Sure. Sort of the importance of the charitable aspect of these events because the average fan doesn't necessarily see it.

COMMISSIONER FINCHEM: Well, on the second part of your question, let me answer that first, I think that there's a variety of reasons why it accelerated. Tournaments market and gradually have gotten better and better at marketing. The partnerships that go into our charitable relationships have gotten stronger. The interest in our title sponsors and charity is very different than it was 15 or 20 years ago.

I remember when we got a new sponsor we would have to educate them about what charity on the PGA TOUR meant and why it was important for them to become involved. Some of them would take advantage of that, some of them wouldn't. Today it's the reverse. Companies, when we sit down with a new sponsor, they're very eager, they're knowledgeable and they want to become involved.

I would say it's the same thing with young players. Young players have grown up watching a lot of their heroes do a lot of things for charity and they're very

knowledgeable. So I think it's just a gradual increase in recognition, understanding, capability, all those things have moved ahead and have given the collective enterprise a stronger position in being able to generate dollars.

On the first question, which I think I understood given the traffic, of how it affects the success of the tournament, it's hard to say. I mean, I don't think we have to have this business model. I think we could do reasonably well from a marketing standpoint if we just went out and did a golf tournament, but we don't do that. We gravitated into a culture of wanting to do these things. It's something the players want to see happen, and it certainly has the effect of strengthening the relationship with the community when you're raising millions of dollars to help local charities, so there's certainly a positive for the charity.

To the investor, customer, whether it's a pro-am participant, a local company doing some hospitality, medium size sponsor, whatever, the value is enhanced because it's a two-fer. You're able to entertain your customers and you're able to help local charities at the same time.

I think what we found is that the business community in most areas in this country are community oriented, they want to see these things happen. They think along with economic impact and economic development, our golf tournaments are good things for the communities and growing the charity has become a part of that. So there's a lot of different pieces to it, but it certainly has been in an accelerated mode the last 10 years.

Q. You guys made it through the recession in pretty good shape. Just curious now, are you asking tournaments to beef up their reserve fund, and if so, would that impact the amount during that time that they can set aside for charity dollars?

COMMISSIONER FINCHEM: Well, it could. I think what we're trying to achieve first and foremost is that every tournament perform at the highest possible level in the market that they're in. I think, you know, I used to talk about, you may recall this 15 years ago, that it would be helpful and good for the sport if we can maintain a systematic level of presentation at our tournaments. The NBA, the NFL, Major League Baseball, you go to one stadium, it's the same experience and that's a positive. Because we're on different real estate every week, it's been hard to get a consistency of presentation.

Well, it's similar with marketing and sales and charitable giving. You want all of our tournaments to operate at a very high level. There's still some disparity, it's less than it was 10 years ago. But if we're maximizing our position in the marketplace and the community's taking full advantage of this platform, essentially the sporting event, it serves as a charitable platform, then we're getting our job done. And we're not where we want to be, but we're making real good progress.

Now, to your point about reserves, different tournaments have different reserve levels. It would be good for their security as they're growing the money, they could give to charity also to make sure they're paying attention to reserves because we did do well in the downturn, '08, '09, but that doesn't mean we'll do well in the downturn of 2017 or 2018. We know there's going to be another one, that's the way it's been for eight years. So having that -- so that the tournament can ride out those bumps, we want to work with them on their reserves but still continue to grow charity at the same time and that's kind of what we're working on.

Q. (No microphone.)

COMMISSIONER FINCHEM: It depends on the market. We have some tournaments that actually don't need to do more reserves, they're in a good reserve posture. We have others that have very weak reserves and I think as they improve their marketing and sales capability, they need to pay attention to golf and keep them in relationship that they grow.

Q. I believe it was September where you were last discussing the idea of viewers being able to call in rules and you said you would be looking at it.

Where are you in looking at it, and can you still explain to those who still may not understand why it's okay for folks to be able to call in and tell on golfers when I still can't find that aspect in any other sport?

COMMISSIONER FINCHEM: Well, the history of our sport is we accept information that's relevant based on whatever rules are in place. In our sport the competition is open and the athlete is subject to a reaction if there's been a violation, even though it could have been two days ago in a four-day tournament. So it's a unique sport structure, it's not a two-hour baseball game, it's not a three-hour football game, it's a four-day competition. Historically we have accepted that information and we've acted on that information.

We are not -- we have not decided not to do that simply because technology has improved. We may and continue to look at ways to make sure it makes sense the way it's used. We do have issues from time to time in terms of the severity of a penalty on a player who couldn't have known or it's reasonable to assume didn't know something happened. So those things we look at carefully, but I don't think that the fundamental, the core being are you going to accept this information or not, at least at this point we have not determined that no, we're not going to pay attention to that information simply because it's an HD camera today with slow mo capability that wasn't 10 years ago.

But we've already begun, as you know, with the USGA to modify that somewhat in terms of what's reasonable for the player's response, what's a reasonable level of

responsibility for the player to carry with him for four days. So it's a work in progress.

I've said this before, I personally, although I worry about aspects of this a great deal, I do not share the view that simply because there's all this new media out there, that that is in and of itself a reason to make a change. Candidly, I think a lot of fans find these rules questions and issues of interest and that's not a bad thing necessarily. I think it has more to do with the rules themselves, are they reasonable, are they applied reasonably and what is a reasonable disciplinary action for a player who does certain things. I think that's of more interest to me, but I also think and I've said this before that the rules can be simplified. I know the USGA and the R&A are now focused on ways that perhaps the rules can be simplified. It would be great if we had a set of rules that the amateur recreational player paid just as much attention to as the professional. We talk a lot about the rules being the same for the people who play the game at the professional level and recreational level. I understand the argument there, but why shouldn't the rules be simple enough that the recreational player understand them and go out and play about them religiously and I think we should move in that direction. There's a lot to this and it's going to take time. As you know, things in golf don't move all that swiftly but we'll see what develops.

Q. Commissioner, ESPN Outside the Lines had a story about the TOUR's charitable giving, questioned some tax breaks. They also received some rather favorable tax breaks with their construction of their headquarters.

What was your take of all the coverage that that received and did it really have any kind of impact on philosophy going forward?

COMMISSIONER FINCHEM: Well, the answer to that is no, but it was a little bit confusing I think the way they got into all this, and without going on at length, just quickly, it's really two different things.

One is the tax status of the TOUR, just like the NFL or Major League Baseball, some of the other sports. And you know, if the Congress -- Senator Coburn spoke up on this on the ESPN piece, if Congress wants to change the rules as relates to tax status, that's up to the Congress. We'll play by whatever rules we have to play by. Right now, however, we are squarely in line with rules that regulate a professional trade association, which is what we are.

Now, if you change our tax status, it would change the way we do business somewhat. That's what companies do. Congress' own tax committees have indicated that the result of those changes on sports would have not a great significant effect from a revenue standpoint. So we would argue there's no point doing it unless you have pretty good reason to do it.

The tournaments, on the other hand, are really a different kettle of fish. They are either (c)(3)s, charitable organizations, or they're organizations created pass through

money to (c)(3)s and they were somewhat criticized in that report, which was off base in my view totally. I don't think they understood what they were talking about.

If you're an organization, you file and you become a (c)(3) and you're going to raise money for cancer research and you go out and solicit money and an inordinate amount of your money goes to pay the cost of your operations, you're not going to be too successful with givers, and that's the way it should be.

To equate that to a major sporting event where there's a partnership that comes together and says let's work together for the benefit of the community, we're going to put on this tournament, it costs a lot of money, but there's significant upside to the community in generating money for charity, that's a whole different kettle of fish.

If they were going to criticize that, they should go look at the charities that benefit and ask the charities that benefit whether they like it or not, and they would find over, 2,000 charities, all of whom benefit and love their relationship with our tournaments.

So I think talking about our tournaments in that way was wrong, it was ill advised and I think it's unfortunate. I happen to be somebody who has a great deal of respect for Senator Coburn. I think he's had a very balanced and thoughtful view on the fiscal problems facing this country. I share a lot of what he believes in, but on this one I think it was a little upside down. I think it's two different things. But fundamentally, if you look at sports and you look at charity and you look at our model, I think most people, I don't know if I've ever met somebody who didn't look at our model and say this is great. We certainly believe it is. We don't want to change it and we'll try hard not to.

Q. In light of what the TOUR does compared to other sports, does that bother you or is that something you feel going forward in your messaging that you would like to address, because it really is astounding the difference between the PGA TOUR and all other major professional sports.

COMMISSIONER FINCHEM: Well, our business model is different, no question about it. You know, we don't have -- the tournament this week is not owned by anybody for a for-profit interest. I'm not being critical, that's just the way it is, so it's different. We like our model and we like it best because our players love it and they like what it does. Our tournaments in our communities where we play in like it. So we like it, it works for us. We're not suggesting other sports should shift to our particular model, but it's something we want to continue to grow and support the direction we're going.

Q. Just a few short years ago this tournament just about went into the playing of it without a title sponsor. This year it looks like it's on a stage grander than ever, course conditions may be the best they've ever been. Just personal thoughts on the last few years here and the progress that's been made at

Torrey Pines?

COMMISSIONER FINCHEM: Well, Farmers is a very intelligent company with a lot of intelligent people managing it. One of the great examples of that is they did the transaction to sponsor this tournament at warp speed. Some companies take a year and a half to get a contract. And they didn't stop there. They worked, from the day we did that arrangement, they worked really hard to make it as good as it can be. They wanted it to be the best and they put the energy behind doing just that. So they've become a great partner and it's a great message. This is a terrific golf market and they want to maximize their position here and as a consequence, maximize their position in golf and maximize their exposure to our fan base, and to the incredible strength of our demographic that we reach and they're doing a great job doing it and we couldn't be more delighted.

As I've said a million times, a good golf tournament is a tournament that gets better every year. I always think of the Masters as probably being the best run golf tournament from a lot of different perspectives. It gets better every year. It focuses on 50 things it can do, and tournaments on the TOUR that do that continue to get better. Nowadays almost all of them are in that mode and this is a great example right here led by a terrific title sponsor.

Q. When you talked about the way the rules are applied, a penalty associated with it, are you talking (inaudible) or are you talking scorecard issues?

COMMISSIONER FINCHEM: All of the above. I think it's worth talking about -- if you're going to be a systematic review of these issues, everything should be talked about. You know, I think making a mistake, an unintentional mistake that could lead to disqualification seems to me, because you didn't know the rule, to me is too extreme. I know some people say, well, if you -- because a two-stroke penalty in my view would be sufficient in some of those situations. Not all of them, but some of them, that's what makes it a difficult conversation.

I've heard people say, if you made that change, it would reduce the stimulus to a player to make sure he understands all the rules. Well, at this level a two-shot penalty is all you need as a motivation to know the rules and to know how to access information from the officials to get the ruling if you need to. You don't need more than that. Two shots, as you know, two shots is huge, huge. So losing a player for the week because of some silly mistake to me is not consistent.

But we worry in a couple areas that's already been starting to change, so I think we've just got to keep our eye on it, keep talking about it. I would like to think that there is work underway to make the rules easier to apply to everybody. We had some rulings last year that I thought just showed why there could be a more consistent rule on dropping the ball in certain situations that would be easier to understand to the average player and just as effective when applied at the professional level. There are

a number of examples of that, so we'll just keep talking about it.

Q. Do you play by the rules?

COMMISSIONER FINCHEM: I think so.

MARK STEVENS: Well, thank you for your time, Commissioner. Thank you for being here, everyone.

COMMISSIONER FINCHEM: Thank you very much.