

**MINUTES
OF THE MEETING OF
THE BOARD OF DIRECTORS OF
UNITED STATES TENNIS ASSOCIATION INCORPORATED**

**BILLIE JEAN KING NATIONAL TENNIS CENTER
FLUSHING, NEW YORK**

SEPTEMBER 1, 2022

PRESENT: Michael J. McNulty, Chairman of the Board, Brian Hainline, First Vice President, Laura F. Canfield, Vice President, Violet Clark, Vice President, Brian Vahaly, Secretary-Treasurer, Jeffrey M. Baill, Kathleen Francis, J. Christopher Lewis, Alan Ostfield, Emily S. Schaefer, Kurt Zumwalt, Liezel H. Huber, Vania King, and Megan Moulton-Levy, Directors at Large, and Patrick J. Galbraith, Immediate Past President (via teleconference).

ALSO PRESENT: Lew Sherr, Chief Executive Officer and Executive Director, Andrea S. Hirsch, Chief Operating Officer and General Counsel, Ed Neppl, Chief Financial Officer, Rachel Booth, Senior Counsel, Managing Director Tennis Integrity, and Nellie Nevarez, Director, Office of the President.

1. **Welcome & Opening Remarks.** McNulty called the meeting to order at 8:00 a.m. (EST) on Thursday, September 1, 2022. He provided a brief overview of the success of the US Open to date. Sherr offered that attendance at Arthur Ashe Kids' Day (AAKD) hit a record high, with 35,000 attendees. Hainline briefly discussed the upcoming mental health summit.

2. **Approval of Minutes.**

Upon motion duly made by Huber, and seconded, the Board unanimously approved the June 10 & 11, 2022 Minutes of the USTA Board of Directors Meeting.

Upon motion duly made by Huber, and seconded, the Board unanimously approved the July 19, 2022 Minutes of the USTA Board of Directors Teleconference.

Upon motion duly made by Huber, and seconded, the Board unanimously approved the August 10, 2022 Minutes of the USTA Board of Directors Teleconference. Clark and Ostfield abstained.

3. **Treasurer's Report.**

a. **US Open Financial Results.** Neppl provided an overview of US Open financial results to date, projections through the conclusion of the tournament, and referenced increases in revenue derived from the ticket sales secondary market. Sherr noted the trend of patrons seeking high-end

experiences, pointing to increased demand for hospitality and suites, and advising that the USTA expand the footprint of the 1968 Room. Nepl presented Fan Week revenue highlights, comparing the first two days of the 2022 Main Draw with the first two days of each of the 2021 and 2019 US Opens, pointing to increases across merchandise, hospitality, food and beverage, and ticket sales.

(John Arnhold, Chair of the USTA Investment Committee, and Kim Wilbur, Cambridge Associates, joined the meeting.)

b. Investment Committee Annual Review of Portfolio. Arnhold provided an overview of the state of the economy and the effects of supply chain issues, the war in Ukraine, inflation, and the complexity and volatility of the market. Arnhold and Kim summarized the strategy for USTA portfolio. Kim advised that the collaborative relationship with USTA staff and the Investment Committee combined with a framework that follows institutional best practices has driven the success of the USTA investment strategy.

Kim provided an overview and executive summary of the USTA portfolio performance, asset allocation, and liquidity analysis. Kim advised that since January 2000, portfolio assets have grown from \$112 million to \$170.3 million. Kim noted that over time, the USTA built its equity holdings through well-diversified positions and private equity, leading to positive returns. Kim explained that the USTA has successfully leveraged relationships with top managers to access private equity opportunities, which has been a driver of growth. Kim advised the USTA's conservative positioning has protected the USTA investments during the current market volatility.

Arnhold and Kim fielded questions on the liquidity of the USTA's private equity portfolio and secondary funds. Arnhold, Kim and Nepl led a discussion of fixed income, investment goals, and status of USTA notes. Nepl extolled the depth of expertise on the Investment Committee. He advised the Investment Policy will be revisited and potential changes will be submitted to the Board for its approval.

(Arnhold and Kim departed the meeting.)

Discussion ensued with respect to communication with the Sections regarding US Open revenue and proceeds from the sale of the USTA's equity stake in Cincinnati Tennis LLC. Hirsch advised that Section funding would be discussed in greater detail at the October Board meeting.

4. Foundation Strategic Plan Discussion. McNulty referred to background materials previously provided. Sherr provided high-level context for the Foundation's request for approval of additional funding/ headcount, tied to its five-year strategic plan, noting the Foundation's key considerations and options as set forth in their pre-read materials.

(Kathleen J. Wu, President, and Dan Faber, Chief Executive, USTA Foundation, joined the meeting.)

Wu gave a brief overview of the Foundation Gala and a high-level summary of Foundation funding sources.

Faber briefly presented a review of the current state of Foundation programs, participant numbers and fundraising products, as well as challenges to program and fundraising growth. He explained the Foundation's need to increase headcount relating to programmatic work and infrastructure for NJTL expansions. Faber advised that Lulu's Place will be a 'Center of Excellence' noting that the location in Los Angeles provides access to a large number of under-resourced communities and is also well positioned to solicit donor support. He further stated that donors are more inclined to make contributions relating to brick and mortar facilities. Discussion ensued as to financial and programmatic commitments of each of USTA, USTA SoCal, Doug Kimmelman (who spearheaded and is a major contributor to Lulu's place), and other partnering sport entities. Faber clarified that in addition to being responsible for its own capital and programming costs, each partnering sports entity will pay rent. Faber described the Foundation's anticipated use of Lulu's Place as an educational venue to train NJTLs and new affiliates on Foundation's programs.

Faber explained that currently, USTA National's committed contribution to Lulu's Place is \$10 million, with National providing \$3 million in capital/construction costs over a 2-year period, \$2 million over 10 years for Foundation rent, and \$2 million over 10 years for Player Development rent (which rent currently funds the Player Development facility in Carson). He noted further that USTA SoCal has committed to \$3 million.

Conversation turned to the Foundation's request for additional headcount for both Lulu's Place and to support other nation-wide programs and fundraising. Faber and Wu were queried on the contributed services breakdown included in the reading materials.

Discussion and questions ensued regarding the need for a data and communication strategy for Lulu's Place to connect the partner entities; current and aspirational fundraising products; educational and career programming; staffing and responsibilities of the embedded NJTL; and the role of Foundation staff. Discussion continued regarding the distinction between the Foundation's headcount request for national development endeavors and the headcount request for Lulu's Place, including questions as to whether and which of these requests should be funded by the USTA or the Foundation.

Sherr clarified current USTA contributions to Foundation staffing and shared services. Wu advised that in her opinion, the Foundation is not yet self-sustaining and therefore is seeking a funding increase from the USTA. Wu further advised that should additional funds or headcount be forthcoming, such funds would be subject to the Foundation KPIs and if unsuccessful, could be reduced.

Discussion continued with respect to the needs of national programs and the importance of not focusing all of the Foundation's energy on Lulu's Place.

(Wu and Faber departed the meeting.)

(The meeting recessed at 10:15 a.m. and reconvened at 10:27 a.m.)

Hirsch framed the issue to be addressed by the Board as whether the strategic plan presented by the Foundation, (greater focus on facility development) aligns with the mission and purpose that the USTA envisions for its Foundation and whether the Foundation should become more self-sufficient and fund some or all of these positions and increased costs. She noted the USTA Board is the sole member of the USTA Foundation.

Robust discussion ensued, with the Board acknowledging the Foundation's fundraising success and thoughtful use of KPIs to measure and track accountability and performance. The Board raised concerns that national programming and support not be overshadowed by Lulu's Place and the possibility for similar mega-facilities. They also noted the need for greater clarity from the Foundation's Board on the Foundation's perspective as to its role in developing mega-facilities. Further discussion focused on the need for the Foundation's primary focus to be on growing NJTLs, and the need to synchronize a strategy with USTA and the Sections. Discussion turned to questions of governance and the relationship between the USTA Board and the Foundation Board in strategic decision-making.

The Board resumed discussion on the topic of the Foundation's request for additional headcount, and whether the USTA's funding of all Foundation positions should continue. Staff provided their recommendation, and consensus was reached that funding relating to national programming and fundraising should be provided by the USTA, and that a discussion about headcount for Lulu's Place was premature and would require greater clarity of the roles and responsibilities of Foundation staff at the facility. It was noted that new headcount requests will be presented to the Budget Committee as a part of the 2023 budget process. Hirsch advised that the USTA's role in facility development is planned for the October Board meeting.

Sherr concluded by stating it is USTA's intent to assist and work in partnership with the Foundation as Lulu's Place develops and opens, and that he hopes to work more collaboratively with the Foundation Board.

(Craig Morris, Chief Executive, Community Tennis, and Martin Blackman, General Manager, Player and Coach Development, joined the meeting.)

5. USTA Role in Alternative Racquet Sports. McNulty posed the question of what role, if any, USTA should play in promoting and developing alternative racquet sports. He queried the Board as to whether USTA should allocate dollars and resources to alternative racquet sports, specifically padel and pickleball. McNulty reminded the Board that the International Tennis Federation (ITF) is seeking to become the international federation for padel.

Robust discussion ensued as to whether alternative racquet sports fit within the USTA mission, whether all racquets sports are complementary to each other, and the "real estate" tennis continues to lose to pickleball. Canfield discussed learnings from the Pickleball Task Force, such as pickleball's dominance in the senior market and the desire by facilities for multi-use courts. She noted the Task Force sees pickleball as a potential hook to get people into tennis.

The Board discussed the USTA's level of engagement with pickleball and padel. The Board reached alignment that, at this time, USTA not serve as National Governing Body for any alternative racquet sport, but that some level of collaboration and partnership would be beneficial.

Morris advised that tennis facilities are under pressure to diversify to multi-use courts. Morris shared that the tennis industry has mixed reactions to padel gaining popularity in the US, and conversely, does not believe pickleball will be embraced widely in Europe. He also noted both USPTA and PTR are certifying pickleball coaches. Morris discussed USTA positioning itself as a partner to alternative racquet sports, and the USTA's ability to leverage Serve Tennis and other platforms and resources to form strategic alliances. He advised that padel is receptive to a strategic alliance but that the Pickleball Board is wary of the USTA. Morris noted he was in discussions to integrate pickleball ratings into Serve Tennis and is seeking opportunities to use Serve Tennis for pickleball competitions and programming.

Robust discussion ensued as to whether USTA should communicate a desire to collaborate with pickleball, whether the opportunity exists to promote and encourage red ball play on pickleball courts, and, while not changing the mission of the USTA, the importance of promoting the sport as one that promotes health and wellness.

Discussion turned to facilities and maintaining courts for tennis, with Morris advising that facilities and parks are seeking direction and leadership. Canfield noted the 2nd edition of the Statement of Guidance for facilities will soon be issued by the Pickleball Task Force. The edition released to Park and Recreation agencies in April was very well received and the 2nd edition will address blended lines and will be circulated to both Park and Recreation agencies as well as commercial/private clubs/facilities.

The Board requested that Morris connect with USA Skiing and Snowboarding to understand how they successfully blended two sports.

6. Accreditation Follow Up and Recommendations. Morris referred to a memorandum previously provided to the Board. He spoke briefly to the USPTA's decision not to renew its accreditation status, providing USPTA's stated reason that USTA failed to make certification meaningful in the industry, and specifically the inability of USTA to require certified professionals of accredited organizations be retained by facilities with four or more courts. With respect to Safe Play, Morris recounted USPTA will continue to recommend it to their members but will not require it for fear of losing members.

Morris described the USTA financial and resource support to USPTA tied to accreditation has been or will be terminated. He explained USTA is providing USPTA with the same level of opportunity and resources as we offered PTR prior to receiving their accreditation, and noted the importance of consistency. Morris offered that PTR is incredibly enthusiastic and is hoping to be more involved with USTA.

Morris advised that USTA will not interfere with Section decisions to continue relationships with USPTA so long as program participants are Safe Play approved.

Blackman provided a brief overview of the 5 goals of accreditation, which are:

1. (i) to drive the universal adoption of mandatory background checks and SafePlay *compliance* throughout the Tennis Industry for all individuals who work with youth, whether certified or uncertified, (ii) to *elevate* the standards of coaching education for all certified coaches at every level, to ensure excellent tennis experiences for youth and adults at every level, (iii) to *increase* the number of certified coaches with enhanced skill and competency, (iv) to increase the number and percentage of certified women coaches and coaches from underrepresented ethnicities to ensure that our coaching population reflects the *diversity* that we seek to drive and increase in our sport, and (v) to establish a compelling *value proposition* for coaches seeking a profession in the sport and for the Industry (Tennis Directors, Facility owners and Head Pros) as it seeks to hire excellent coaches; leading to certification becoming an established and recognized Industry standard for the employment of full-time coaches.

Morris concluded by stating USTA will continue to work collegially with USPTA and that USTA's priority is to focus on raising coaching standards.

The meeting concluded at 12:23 p.m. (EST) on Thursday, September 1, 2022.

Respectfully submitted,



Brian Vahaly
Secretary-Treasurer