

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

**NEW YORK HILTON MIDTOWN
NEW YORK, NEW YORK**

DECEMBER 6 and 7, 2024

PRESENT: Brian Hainline, Chairman of the Board, Brian Vahaly, First Vice President, Laura F. Canfield, Vice President, Kathleen Francis, Vice President, J. Christopher Lewis, Secretary-Treasurer, Jeffrey M. Baill, Violet Clark (joined on 12/7), Maggie Chan Jones, William McGugin, Emily S. Schaefer, Bobby Sharma (joined via teleconference), Liezel H. Huber, Vania King, Megan Moulton-Levy, Directors at Large, and Michael J. McNulty, Immediate Past President.

Catherine (CiCi) Bellis, Chris Capossela, Amanda Fink-Moore, Jon Rydberg, Hon. Derek J. White, and Perren Wong; 2025-2026 Directors at Large (joined portions of the meeting; Coaching, Red Ball Tennis, and Tennis Channel Opportunity).

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

1. President's Welcome & Opening Remarks. Hainline called the meeting to order at 9:00 a.m. (EST) on Friday, December 6, 2024. A roll call was taken and a quorum certified.

Hainline reflected on the accomplishments of the 2023-2024 Board and commended incoming President Vahaly for his approach to the 2025-2026 term.

a. **ITF AGM.** Hainline provided highlights from the International Tennis Federation ("ITF") Annual General Meeting, including the approval of a new ITF constitution, plans for a digital strategy, live streaming of the World Tour and BJK/Davis Cups, and use of the World Tennis Number ("WTN") for seeding and ranking within the World Tennis Tour.

b. **Premier Tour.** Hainline recapped efforts to date relating to the Premier Tour, describing objectives of the Grand Slam organizations with respect to the tennis calendar and other potential changes to the Grand Slam rules. Discussion ensued and Hainline and Sherr responded to questions from the Board.

(Stacey Allaster, Chief Executive, Professional Tennis, joined the meeting.)

2. CEO Update.

a. Staffing. Allaster informed the Board that she will retire as the US Open Tournament Director after the 2025 US Open. The Board expressed gratitude for Allaster's leadership and contributions. Allaster confirmed that she will continue to serve the USTA in an advisory capacity through 2026.

(Allaster departed the meeting.)

b. 2024 Goals – Year End Review. Sherr referred the Board to materials previously distributed and highlighted accomplishments and achievements of the Association during 2024.

3. Approval of Minutes.

Upon motion duly made by Francis, and seconded, the Board approved the August 29 and September 1 & 2, 2024 Minutes of the USTA Board of Directors Meeting.

4. CFO Update / Treasurer's Report.

a. Zero Based Budgeting Update. Lewis and Flaherty discussed the implementation of a strategic budgeting approach, advising that the process involves mapping dollars to goals to determine impactful activities and developing methods for tracking and measuring that impact. Both noted that while progress has been made, more work is needed and expressed optimism for its future effectiveness.

Flaherty then reported that the 2024 financial performance was strong, noting that US Open revenue exceeded budget by \$28 million (+6%). He advised that operating expenses were \$18 million lower than budget, primarily due to lower than expected Growth Catalyst Fund expenditures and lower than budgeted spending on facilities and adult red ball pilots, resulting in a \$46 million upside to 2024 budgeted "Net Excess" (equivalent to EBITDA). Flaherty described the balance sheet as very healthy with a total cash and investments balance of \$685 million as of September 30, which exceeds the total outstanding debt of \$552 million. He noted the cash and investments balance is up from \$576 million one year ago.

Flaherty presented a review of the proposed 2025 operating budget, projecting approximately 7% revenue growth and 15% expense growth. He advised the significant increase in expenses will be driven primarily by increased investment in coaching, facility grants, red ball and digital products, as well as US Open related expenses. Flaherty then reviewed the 2025 capital budget of \$210 million, noting approximately \$32 million of normalized capex in 2025 plus an additional \$178 million related to NTC expansion projects. He noted that even with the increased investment in the mission in 2025 there would be solid positive cash flow (excluding outflows related to the new NTC project).

Discussion ensued as to funding sources and debt financing of the US Open transformation.

Flaherty then reviewed 2025 spending by department and organizational goal. He emphasized the need to clarify departmental KPIs, to initiate the process earlier in the year, and to explore opportunities to integrate performance management and goals with Sections.

Discussion ensued as to allocations of investments and savings, as well as target percentages of revenue for spending.

b. Section Funding Proposal. Sherr presented a recommendation regarding paying a bonus to Sections based on the strong financial performance of the US Open. He recommended increasing Network Support Funding to 5% in 2025 (in lieu of the annual 3.5% increase specified in the Section Funding Agreement between National and the Sections) and also providing a \$2.5 million Section subsidy for electronic line calling system investments. Sherr noted the 1.5% added to the base amount paid to Sections pursuant to the Agreement in lieu of structuring the payment as a bonus will allow for long term planning to take place without the uncertainty of fluctuating bonuses.

Discussion ensued about various options for structuring Section increases and bonuses. Discussion continued with respect to the challenges of implementing electronic line calling systems nationwide, as well as the process and management of distributing funds for electronic line calling.

c. 2025 Budget Review and Approval.

Upon motion duly made by Vahaly, and seconded, the Board unanimously approved the USTA Consolidated 2025 Operating Budget of \$81,050,000 (as specified on Line 67 of the Management Report) as amended by an increase of \$750,000 in Network Funding Support and \$2,500,000 for Sectional Associations' electronic line calling investments.

Upon motion duly made by Vahaly, and seconded, the Board approved the USTA 2025 Capital Budget of \$14,800,000 as submitted.

(The meeting recessed at 10:15 a.m. and reconvened at 11:00 a.m.)

(Craig Morris, Chief Executive, Community Tennis, Megan Rose, Managing Director, Head of Business Development and Operations, Lisa Cradit, Managing Director, Head of Communication and Content, and Liz McSorley, Managing Director, Strategy and Innovation, joined the meeting.)

5. Coaching Update. Morris referred the Board to materials previously submitted. He reviewed the mission and vision statements for USTA Coaching and summarized the educational offerings and pathways, including core components, electives, and designations. He noted the plan to start with the parents, volunteer and teacher base level and to progress to higher-level professionals over the course of the next few years. He explained that keeping with best practices for learning, each course will be twenty minutes or less. He noted that Safe Play will serve as a gating mechanism to program access.

Morris opined as to the importance of getting parents involved early, education delivery and community building. which will fuel face to face learning opportunities and local community integration. Discussion ensued as to course length, content, audience-based curriculums and the status of USTA-U.

Rose provided a summary of membership tiers and benefits. She spoke to surveys conducted to understand the benefits that are important to coaches. Discussion ensued as to accessibility and inclusivity with respect to recruitment and retention. Upon inquiry, Rose described data-driven decision making in focusing recruitment efforts, and the intentionality of planned marketing strategies and pilots.

Morris and Rose discussed progress and next steps with respect to technology builds, including the learning management system, singling on capabilities, and APIs to connect with other databases like Safe Play. Morris was queried on five-year projections for members and financials.

Hirsch addressed certain legal questions.

Morris and Rose fielded questions as to volume of content in the learning management system, staffing for regional training centers, and integration with the Intercollegiate Tennis Association. Discussion continued on the evolution of the USTA's accreditation program and accreditation status of Racquet Sport Professionals Association (formerly known as USPTA) and PTR.

ACTION: Prepare "investor deck"; pressure test business plan; provide user journey; prepare and distribute a strategic timeline for implementation. Morris/Rose.

(Cradit, McSorley, Morris, and Rose departed the meeting.)

(The meeting recessed at 12:15 p.m. and reconvened at 1:15 p.m.)

6. Player Development Update. Sherr reported that the restructured player pathway has been met with a very positive response, including from American professional players. He explained that the restructured pathway combines all elements of the player pathway into one division in order to aggregate services and resources for elite athletes. Sherr noted that the search for a General Manager of the new division is underway. He further noted that the Player Development Advisory Council ("PDAC") assessment led by Ben Navarro is moving forward, but more slowly than desired. Discussion ensued as to the potential impact of the PDAC recommendations, the timeline for receiving the PDAC report, and long-term plans for PDAC involvement.

(Morris and McSorley, rejoined the meeting, and Davies, joined the meeting.)

(Matt Barnhart, Senior Director, Play and Competition, joined via teleconference.)

7. Red Ball Tennis. Davies presented a video highlighting red ball programs. She summarized the red ball go-to-market strategy to support the goal of 35 million players by 2035 through social play experiences. Davies reviewed the successful execution of more than 400 pilot programs (with over 20,000 participants) in 2024. She noted the accompanying survey data revealed a high intent for continued red ball play among adults (75%), which was even higher when played in an organized setup (89%). She explained that the pilots provided insights that will help to attract and retain new social players, while allowing for a more resourceful approach to court infrastructure, by leveraging pickleball courts to address the tennis court deficit.

Davies led a wide-ranging discussion on the findings from the pilots including the "rules" of red ball, scoring, the name "red ball," participant comparisons between red ball and pickleball, red ball retention rates, and Section support for the pilots and beyond. She explained that the go-to-market strategy for red ball in 2025 includes adult red ball formats for Cardio Tennis, Tennis on Campus, high school aged-players, and collaboration with pickleball facilities, with a target of reaching 200K players, 500 coaches/facilities, and engaging 80 local play ambassadors.

Davies spoke to the challenges associated with manufacturing and distributing red ball racquets, balls and nets. She fielded questions on ball pressure and the use of green balls with red dots as opposed to red balls.

(Davies departed the meeting.)

(The meeting recessed at 2:25 p.m. and reconvened at 2:45 p.m.)

(David Sanderson, Stuart Campbell, and CJ Bernstein; Bain & Company, joined the meeting.)

8. **Pickleball/Facilities Discussion.** Sherr reminded the Board of its prior request that staff assess USTA's current stance on pickleball given the current trend towards inclusion of tennis with all racquet sports. Sherr referred to materials previously provided to the Board and advised that the recommendation resulting from Bain's evaluation is nuanced.

Sanderson noted that the USTA does not have a pickleball problem, rather that it has a tennis problem, and the issue should be addressed from that perspective. He summarized the methodologies and analyses used to inform the report and proposed approach. He presented a summary of learnings from Bain's work and highlighted the two most significant as: i) participation in tennis has grown, pickleball has grown faster; and ii) challenges with court conversion to pickleball use. Sanderson noted that the Bain research found the success of pickleball does not necessarily come at the expense of tennis and that there are synergies and overlap across the sports, and further, while there are examples of the 'loss' of tennis players to pickleball (notably among older demographics), there is also an observed pathway from pickleball to tennis (40% of 'pickleball first' players in the Bain survey ultimately tried tennis).

Discussion ensued as to the integration of pickleball and padel by other large national federations such as Tennis Australia, who are positioning themselves in various iterations as being in the racquet sport industry. Sanderson reviewed the Bain conclusion that involvement in pickleball governance would not support the position of tennis.

Campbell summarized learning around courts and facilities, with data indicating conversion rates are not as high previously thought. He offered a perspective to determine court capacity in terms of player occasions and hours of court time, and that the ratio of players to courts can be adjusted to calculate the number of courts necessary to serve 35 million players by 2035, as well as actions USTA can take to drive/influence court utilization.

Robust discussion ensued around scenarios and examples of how the USTA might approach pickleball within the context of infrastructure, funding, programming, coaching, the Sections and the sport overall. Divergent Section sentiment with respect to pickleball was discussed as was the need for greater alignment. The Board agreed to continue this discussion at the January Board meeting.

The Board referred to the highly successful red ball pilots and asked that more work be done to assess the proposal in light of that data.

ACTION: Update Bain analysis to take into account red ball data; prepare recommendation on a proposed stance for various scenarios, and a communication plan, which will include a statement of intent regarding play at the Campus and NTC.

(The meeting recessed at 4:30 p.m. on Friday, December 6, and reconvened at 9:33 a.m. on Saturday, December 7.)

(Clarke and Sharma joined via teleconference, Danny Zausner, Chief Operating Officer, NTC, joined the meeting.)

9. **President's Suite Analysis.** Zausner provided an update on the 2024-2027 USTA Billie Jean King National Tennis Center construction project. He advised Phase I work is underway and on schedule, and that a two-story parking garage in parking lot A will be usable in time for the 2025 US Open.

Zausner presented updated renderings for the new President's Suite, scheduled for completion for the 2027 US Open. He specified the redesign and addition of a spiral staircase that will take suite patrons from the President's Suite lounge to courtside seating. He noted the staircase had originally been located in the rear of the suite with access through the courtside club, but will now provide an elevated experience and direct access from the front of the President's Suite lounge directly to courtside seating.

Discussion ensued. Zausner responded to questions regarding egress issues, ADA compliance, and size and design of the staircase. Discussion turned to the number of courtside seats needed per session, with Sherr noting the actual number will not impact the President's Suite design discussion. Zausner and Sherr were queried on seat assignment flexibility, the timeline needed by sales team in order to offer the seats as inventory, and the possibility of relocating ESPN cameras to avoid obstructing views.

(Zausner departed the meeting.)

10. **USTA Ventures Investment Update.** McGugin presented a status update on current investments (e.g., Play/Replay and Court 16) and highlighted potential investment opportunities under consideration. He discussed goals for 2025-2026 to increase staff and Section involvement, and plans to raise the profile of USTA Ventures both internally and externally.

McGugin fielded questions on the details of investments under consideration. Discussion centered around utilizing the Ventures initiative to advance the mission, metrics for gauging success, return on investments, and the possibility of hiring a dedicated staff member.

11. **Disaster Relief.** Hirsch reminded the Board that in the past, USTA has allocated relief funds following natural disasters. She advised that staff recommends allocating \$250,000 to each of the Southern Section and the Florida Section following recent natural disasters.

Upon motion duly made by Francis, and seconded, the Board unanimously approved an allocation of \$250,000 to each of USTA Southern and USTA Florida for relief funds.

(The meeting recessed at 10:30 a.m. and reconvened at 10:45 a.m.)

(Scott Steinberg, Chair, and Mary Buschmann, Vice Chair (via teleconference), USTA Governance Task Force, joined the meeting.)

12. **Governance Task Force Recommendations.**

a. **Review/Next Steps.** Steinberg reviewed the history of the Governance Task Force, initiated in 2023 at the request of Hainline. He recounted the initial recommendations presented to the Board of Directors in December 2023, and explained that further analysis led to the creation of five working groups in 2024, whose insights enabled the Task Force to develop a broader view of the

current governance system. Steinberg acknowledged the contributions of an external association management firm, which provided industry research on nonprofit governance and volunteer systems.

Steinberg presented the Task Force's recommendations, which included three key strategies:

1. Investing in volunteers and a structure that expands the volunteer base, improves the volunteer experience, and drives USTA success.
2. Enhancing the efficiency, agility, and responsiveness of the governance system.
3. Improving the timeliness, relevance, and quality of decisions by decentralizing and delegating decision-making to the individuals or teams closest to the related issue or situation and establishing greater parity among the decision-makers.

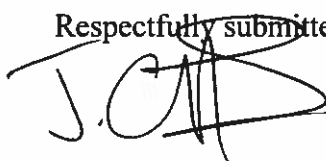
Steinberg characterized these recommendations as an opportunity to “future proof” USTA’s governance structure. Steinberg and Buschmann summarized the principles and recommendations underpinning each strategy as set forth in greater detail in the Governance Task Force Recommendations Report, previously provided to the Board.

Discussion ensued regarding the recommendations and Steinberg, Buschmann and Mischel responded to questions. Hainline thanked the Task Force for their exceptional work and time committed to this project.

13. Tennis Channel Opportunity. A strategic opportunity relating to the Tennis Channel was discussed at length. The conversation focused on the economic risks and opportunities associated with the opportunity, as well as the possibility of using the Tennis Channel to advance the USTA’s mission and objectives.

The meeting concluded at 12:43 p.m. (EST) on Saturday, December 7, 2024.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J. Christopher Lewis", written over a horizontal line.

J. Christopher Lewis
Secretary-Treasurer