

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

**NEW YORK HILTON MIDTOWN
NEW YORK**

DECEMBER 2 & 3, 2022

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

ABESENT: Brian Hainline, First Vice President, Violet Clark, Vice President, and Alan Ostfield, Director At Large.

ALSO PRESENT: Lew Sherr, Chief Executive Officer and Executive Director, Andrea S. Hirsch, Chief Operating Officer and General Counsel, Ed Neppel, Chief Financial Officer, Rachel Booth, Senior Counsel, Managing Director Tennis Integrity, and Dan Faber, Chief Executive, USTA Foundation.

1. **Welcome & Opening Remarks.** McNulty called the meeting to order at 10:20 a.m. (EST) on Friday, December 2, 2022.

2. **Approval of Minutes.**

Upon motion duly made by Canfield, and seconded, the Board approved the October 17, 2022 Minutes of the USTA Board of Directors Meeting,

Upon motion duly made by Canfield, and seconded, the USTA Board acting as USTA-NTC and USTA-PD Boards, approved the November 8, 2022 Minutes of the Combined Meeting of the USTA, USTA-NTC, and USTA-PD.

3. **Treasurer's Report.** Neppel presented a summary of the USTA's investments through September 30, noting an ending balance of \$153 million. He advised that through November, approximately \$70 million of the cash that had been set aside during the early stages of the pandemic has been reinvested in equity, fixed income and marketable alternatives, in accordance with the rebalancing plan created by the Investment Committee. He further advised that the Investment Committee is drafting a policy for the maintenance of the main Portfolio, and a second policy targeted at growing the proceeds of the sale of Cincinnati Tennis LLC, from \$100 million to \$150 million over a twelve-year period, in preparation for the repayment of the \$150 million

Series D Notes due in 2033. Nepl noted the policies will be shared with the Board for approval. Zumwalt provided an overview of Investment Committee decisions for the Cincinnati proceeds, including a breakdown of fixed income investments versus liquid positions, made in alignment with Cambridge Financial Group.

Nepl reviewed the 2022 balance sheet, describing current assets and liabilities. He fielded questions regarding cash available for operations and payment of debt principal. He presented the US Open Cash Flow summary, noting the increases to ticketing, concessions and merchandise, which significantly outpaced projections.

Vahaly provided highlights from the Budget Committee meeting. Nepl referenced the USTA Cash Flow summary, noting that some funds will be used for “catch-up” CAPEX projects at the Billie Jean King National Tennis Center, as well as digital initiatives.

Nepl provided a brief overview of 2023 assumptions, which include aggressive targets and disciplined strategic spending increases. Nepl noted that the USTA is entering 2023 in a strong financial position, and described initiatives that will be a focus in 2023, including increased facility funding, plans to attract more coaches to the game, and the NCAA Championships. Nepl briefly reviewed new headcount.

Upon motion duly made by Schaefer, and seconded, the Board approved the USTA 2023 Operating Budget of \$52,642,000 as submitted.

Upon motion duly made by Baill, and seconded, the Board approved the USTA 2023 Capital Budget of \$11,780,000 as submitted.

4. Budget Subcommittee Report/Next Steps. Zumwalt provided an overview of the Budget Subcommittee charter and key findings to date and referred to materials previously provided to the Board. He explained that although collection of Section IRS form 990s and audited financials may fulfill the Board’s fiduciary obligations, those documents do not provide a meaningful or consistent method by which to measure support of the USTA mission, due to disparities in reporting, income and expenses classification across the Sections.

Zumwalt described the need to create a framework and automated reporting mechanisms to aid Sections and to measure appropriate metrics and KPIs in a consistent and comparable format, opining this will be a multi-year endeavor. The Board discussed disparities between Sections with respect to collecting information from State and District Associations. Discussion continued as to whether the Shared Services model piloted by Eastern could be the mechanism for standardizing financial reporting across the USTA. Nepl briefly described the success of onboarding Eastern, the additional workload to USTA staff, and opportunities for other Sections, with New England and Southern coming on next.

Discussion turned to refining and reducing the number of metrics and/or KPIs to collect from the Sections. USTA staff were queried as to tracking Section data and whether the task would

fall to the Section Support group. The Board reached consensus that focusing on 2-3 priority metrics and encouraging the Shared Services pathway will build trust and unify data collection.

McNulty commended the work of the Subcommittee and noted it will continue into the next term.

(The meeting recessed at 11:17 a.m. and reconvened at 11:33 a.m.)

5. National Staff Structure/Section Partnership and Shared Services Update. Sherr provided an overview of the aim, function and staffing structure of the Section Partnership division, and referred to materials previously provided. He described the service areas of the group as: i) data analysis and insights, ii) strategy facilitation and communication, iii) research and advocacy, iv) financial growth and cost reduction opportunities, and v) tools, communication and templates.

Sherr then fielded questions about candidates and qualifications for the Managing Director role. He clarified that the Section Partnership division will focus on supporting the Section Executive Directors, but that over time we may add value by facilitating learnings and services for Section Boards and volunteers. In response to questioning, Nepl distinguished the Section Partnership division under discussion from the shared services function assumed by the Finance department, noting they are completely separate endeavors, with his team providing “back of house services.”

(The meeting recessed at 12:00 p.m. and reconvened at 1:00 p.m.)

(Craig Morris, Chief Executive, Community Tennis, Danny Zausner, Chief Operating Officer, NTC, and Paul Maya, Chief Technology Officer, joined the meeting. Amy Choyne, Chief Marketing Officer, and Marisa Grimes, Chief Diversity and Inclusion Officer, joined via teleconference.)

6. Allocation of \$30 Million in Cincinnati Proceeds. Sherr reminded the Board that during the October Board meeting, consensus was reached to invest up to \$30 million from the proceeds of the Cincinnati Tennis LLC sale in initiatives intended to accelerate the growth of the game, spur innovation, and bolster Section/State/District efforts. He then provided an overview of focus areas for investment. Sherr clarified that plans have not been developed for these areas; rather staff is first seeking the Board’s input regarding the prioritization of these initiatives. Sherr referred to materials previously provided to the Board and noted the intention is to allocate roughly \$6 million per year over the next five years for these endeavors.

a. **Coach Recruitment and Training.** Sherr noted the unanimous consensus across the industry that there is a shortage of tennis coaches in America at all levels of the sport. He proposed an investment of \$10,000,000 over a three to five year period to boost recruitment efforts for volunteer coaches (e.g. parents, teachers, etc.) and the certified coaching pathway, with a goal of adding 40,000 new coaches. He noted the need to work closely with the Sections on programing and to partner with the coaching certification organizations.

Discussion ensued as to Section support and integration (programmatically and financially); matching grants for Sections; the role of other NGBs in coaching; resources and recruitment efforts by USPTA and PTR; and the potential to include the Foundation, NJTLs and under resourced communities in this endeavor. The Board reached alignment that coaching is important but that metrics, a strategy for Section cooperation and a program structure must be addressed and that staff should consider how to accelerate this initiative.

b. Facilities. Sherr highlighted the demand for more courts, indoor facilities, and for refurbishment of public courts across all Sections. He advised that staff recommends allocating \$10 million to supplement the existing Facility Assistance Grants to provide larger grants with more lenient matching requirements. He noted the criteria used to access these funds can assist efforts to prevent further pickleball facility encroachment and local advocacy initiatives. Sherr clarified that these funds would not be used for mega-facilities. Discussion ensued regarding current USTA and USTA Foundation spend on facilities, how to distinguish this program from the existing Facility Assistance Grants, and ways to work with Sections to develop metrics. Sherr reiterated that at this stage staff is just seeking Board alignment on facilities as a priority and that criteria have not yet been developed.

c. Innovation Initiative. Sherr noted the importance of identifying and supporting new ways to attract, retain and engage players at the grassroots level, and to stay relevant among diverse populations of new and casual players. He explained this program would fund, through grants allocated by the Sections, new formats and programs to drive participation with local providers. Discussion ensued as to whether there is the opportunity for financial growth alongside participation growth, and whether the existence of pre-existing tools, businesses and outside organizations can be leveraged to stimulate the delivery of programming. Discussion turned to potential involvement with pickleball and the possibility of integrating pickleball ratings into Serve Tennis. Sherr noted the recommendation for innovation funds is \$5 million dollars over five years. The Board suggested that these plans be accelerated and that the USTA move more quickly in this space.

d. Junior Team Leagues. Sherr noted a gap in current USTA play formats, specifically a lack of local, team based, recreational play programs with national standards. Morris explained funds will be earmarked to Sections to innovate and experiment in promoting and developing programs to drive youth participation in accordance with the American Development Model with emphasis on fun and team play. He advised staff recommended an investment of \$5 million for this endeavor. Discussion ensued as to current Section programs, Junior Team Tennis, and practice and play programs. The Board also discussed parent involvement and engagement, red ball programming on pickleball courts and other ways to make the game simpler and fun.

7. **Criteria for Approval of Funding of Large Facilities**. Morris provided an overview of the facility grant program to date, its staffing levels, Sectional needs, the facility budget, and referred to materials previously provided to the Board.

Moving forward, Morris opined that facility grants need to include programming and Safe Play requirements, and that supportive follow-up needs to occur after project completion. He fielded questions on the number of projects completed and the amount of facility support required. He offered that USTA is hiring more staff to handle greater volume, and is working to streamline the process. Zausner answered questions about the qualifications and categories of grant applicants. Discussion continued on changes to the application criteria and on the success rate for applicants.

Sherr reviewed potential criteria for large-scale facility funding, noting USTA's investment will depend upon its financial position and outlook at the time of its pledge. He further explained the USTA will provide no more than 10% of the initial capital cost of the project with a maximum cap for any one large-scale tennis facility to be determined, and that USTA's capital (not pledge) will be the last in and the project must be fully funded before the award is confirmed. Time restraints may be placed on USTA's pledge at the time of the pledge. If the facility is not constructed within a certain number of years, the pledge may be withdrawn.

Sherr further advised that funding would be solely for capital construction and not operating expenses, and that USTA's total "investment" pledge in large-scale facilities will be limited on a calendar year basis.

Neppl clarified that funding for large-scale facilities will not be included within the USTA budget, rather, each Section will be required to submit an application for funding to the Board. Discussion ensued about the Mid-Atlantic project. With respect to criteria, "business requirements" were discussed including the need for a fundraising, the attachment of a NJTL chapter, and whether USTA can require the facility to participate in pilot programs.

Discussion ensued as to the criteria used to approve Lulu's place, with the distinction drawn that Lulu's Place will house National Foundation and Player Development West Coast programs. Further discussion focused on the community need for a facility of the size proposed by Mid-Atlantic and the importance of not competing with local providers.

(Zausner departed the meeting.)

8. Approval of Revised Strategic Priorities. Hirsch reminded the Board that at the October Board meeting, the Board discussed whether Player Development is subsumed within the USTA Strategic Priorities and that the consensus was to modify Strategic Priority A to ensure that it is broad enough to encompass all levels of play. Hirsch reviewed a proposed revision to Strategic Priority A, "Attract, engage, and retain new generations of diverse tennis participants at all levels of the game" noting the new language "at all levels of the game."

Upon motion duly made by Francis, and seconded, the Board approved the revision to USTA Strategic Priority A hereto as Exhibit A.

(The meeting recessed at 2:25 p.m. and reconvened at 2:35 p.m.)

9. USTA National and Section Bilateral Communications Task Force Recommendations. Canfield presented an overview of the charge and the work performed by the Task Force, which was created to focus on increased transparency and communications amongst National and the Sections. She advised that the Task Force developed seven recommendations, and referred to materials previously provided to the Board. Canfield led a discussion of the recommendations.

The Board first considered whether to continue, modify or eliminate Section presentations to the Board. The Board reached consensus to continue with mandatory Section presentations to the Board, subject to a revised template to allow for more meaningful dialogue.

The Board next discussed the role and responsibilities of Section Delegates. Canfield explained the Task Force considered how better to leverage the experience of the Delegates, who feel underutilized. She explained that the Task Force is suggesting best practices to provide Sections assistance in delineating role of Presidents versus Delegates. Discussion ensued with respect to communication within each Section, and the need for each Section to define expectations and accountability for their own leaders, to understand issues that affect the USTA and the delivery of the mission, and to be responsible to elevate concerns to National Board and staff. The Board reached consensus to disseminate the recommendation on the role and responsibilities of the Section Delegate and take no further action thereafter.

The Board next discussed the assignment of a Board Liaison to each Section. Discussion ensued as to ways to build trust and rapport, such as meeting informally at events like the Annual and Semi-annual, or whether two to three Sections should be brought together to meet with two Board members to discuss issues of common interest. The Board aligned around the suggestion to make themselves available for Section discussion twice per year, ideally in person.

The Board addressed the recommendation for Board visits to Sections. Discussion ensued, with suggestions that Board members meet at or visit a local facility during Section visits, and that the Board align around consistent talking points for each visit.

The Board next discussed joint meetings of the Section Leadership. Canfield provided the Task Force opinion that there are significant benefits to having one joint presentation to Presidents and Delegates. She noted that Nepl and his team have begun this process with respect to Budget Committee updates, which have been well received. Morris advised that information shared with Section Executive Directors at weekly meetings should be shared in turn with their volunteer leadership.

The Board considered the Task Force suggestion that shared education and training be provided during the Executive Council Leadership Meeting and again at the beginning of each new term and transfer of power. Hirsch noted that leadership training is provided to incoming presidents, and referenced the training planned for the Leadership meeting in January. Staff agreed to consider developing and offering virtual leadership training for Section Presidents taking office in off years.

It was agreed that Canfield would share the recommendations with the Section Leadership.

(Tracy Davies, Managing Director, Recreational Tennis, joined the meeting.)

10. Waiver Requests. Davies presented on behalf of The USTA Junior Competition Committee a request for a grant of waiver to Junior Tournament, Ranking, and Sanctioning Regulations II.D., III.B., and III.C. for tournament year 2023.

a. USTA Junior Tournament, Ranking and Sanctioning Regulation II.D. (Team Events). Davies noted this Regulation requires the USTA to hold various team events, including the Zone Team Championships (BG12-BG16), InterSectional Championships (BG14-16), and National Team Championships (BG18). She explained that following lengthy discussions about these events after 2022, the Committee is proposing to not hold the InterSectional Championships, Zone Team Championships, and National Team Championships for 2023 in their existing formats. Davis referred to the Committee explanation for this request previously provided to the Board.

b. USTA Junior Tournament, Ranking and Sanctioning Regulation III.B. (Level 4 Tournaments). Davies explained this Regulation authorizes USTA Sections to sanction at least one and no more than four Closed Section Level 4 Tournaments that are limited to residents of the Sectional Association; and up to four Open Section Level 4 Tournaments that are open to players from any Sectional Association. She advised that following an audit process that included Committee members, Section staff, and National staff, the Committee requests approval to restrict the number of Level 4 Tournaments to 100 total tournaments (down from the current 136 tournaments) for 2023. Sections have agreed on the number of tournaments allocated to each Section pending USTA Board approval of this request. Davies noted the Committee seeks a waiver to this Regulation instead of amending the Regulation, as further study will take place during 2023, which could suggest a further change to the Regulation.

c. USTA Junior Tournament, Ranking and Sanctioning Regulation III.C. (Level 5 Tournaments). Davies explained this Regulation authorizes each Sectional Association to sanction one or more Section Level 5 Tournaments. Section Level 5 Tournaments, which are open to residents of any Sectional Association. Following an audit process that included Committee members, Section staff, and National staff, the Committee is requesting approval to grant each Sectional Association up to two Closed Section Level 5 Tournaments limited to residents of the Sectional Association for 2023. Davies advised the Committee is seeking a waiver to this Regulation instead of amending the Regulation, as further evaluation will take place during 2023, which could suggest a further change to the Regulation.

Upon motion duly made by Vahaly, and seconded, the Board approved a grant of waiver to Junior Tournament, Ranking, and Sanctioning Regulations II.D., III.B., and III.C. for tournament year 2023.

d. Request for Name Change. Davies presented the USTA Junior Competition Committee's recommendation to codify a name change to the USTA Spring Team Championships, held annually in March, to the USTA Brewer Team Cup in honor of Lew Brewer. Davies

explained Brewer was employed by the USTA for close to 39 years and was instrumental in bringing this team event onto the national calendar.

Upon motion duly made by Vahaly, and seconded, the Board approved renaming the USTA Spring Team Championships, held annually in March, to the USTA Brewer Team Cup.

(The meeting recessed at 3:30 p.m. on Friday, December 2, and reconvened at 9:10 a.m. on Saturday, December 3.)

(Vahaly, Zumwalt, Galbraith, Elliott Pettit, Senior Director, Strategic Development, and Martin Blackman, General Manager, Player and Coach Development, joined via teleconference.)

11. USTA's Role in Coaching in America. Morris referred to material previously presented to the Board. He provided an overview of the work being done on the National level and Section level to attract more coaches to the game and referenced the influence non-certified coaches have on youth.

Pettit provided the rationale for setting a goal of 40,000 additional coaches, explaining that although the United States is second in the world as to number of players, it is last in terms of number of coaches, noting that there are not enough coaches to meet demand. Pettit opined that should USTA reach its goal of 70,000 coaches and 28 million players, the United States will be above the international average. He then reviewed the detail underlying the proposed budget of \$10 million over a five-year period, explaining the funds will be split between training and education for both certified and non-certified coaches. Pettit noted that the cost to develop a non-certified coach is \$67 dollars as opposed to \$212 dollars to train a certified coach. Morris highlighted the importance of the Sections in developing grassroots outreach and training, whereas National's role will be to provide the learning platforms.

Robust discussion ensued. The Board challenged staff to aim for more non-certified coaches per Section, suggested engaging with known educators to assist in this effort, and queried the level of control the USTA has over training curriculums. Pettit fielded questions as to the importance of identifying venues for training and programs, and explained that the USTA facilities database contains 70,000 venues, including schools and parks.

Discussion continued with respect to marketing the non-certified coaching program, the need to move more quickly, and the importance of developing programs for new non-certified coaches to offer. The Board discussed a goal to have many more non-certified coaches than Level-1 coaches, noting it will move the needle more quickly, be less expensive, and serve as a pipeline to advanced certification. The Board encouraged staff to move faster and condense the proposed five-year timeline.

Morris opined that accreditation and certification does not mean anything right now to the public and that Safe Play compliance needs to be more prominent. The Board discussed the potential for recruiting high school and college students as non-certified coaches and a campaign focused on tennis careers. Robust discussion ensued on how to deliver a great experience, with

more fun than skills, and the need for community coaches to have a venue or court to run programs, when private clubs or schools may not permit it.

Hirsch opined as to the legal risk and liability of assuming responsibility for certifying tennis professionals.

The Board reached consensus that staff should focus on the non-certified coaching program, support the Sections on training, and move more quickly than initially proposed. They also asked staff to review the role of the USTA in making the coaching pathway more seamless between all parties associated with coaching in the US.

12. Pickleball Update. Morris referred to materials previously provided to the Board, which contained a number of key developments within pickleball and tennis since the Board meeting in September 2022. He advised that the Professional Pickleball Association's VIBE League merged with Major League Pickleball (who owns the Dreamland Universal Pickleball Rating (DUPR)) to create one global, coed, team-based league. He also noted that the forthcoming PAC Participation Study is expected to show that pickleball has grown from 4.9 million participants to 8 million and tennis has grown from 22.5 million participants to 23.5 million.

In response to questions, Morris advised that the USTA has some data on pickleball racquet and ball sales and that the TIA is beginning to gather statistics on pickleball retention. Morris advised tennis ball sales are up 8%, and racquet sales are flat. The Board requested a recent look back, i.e. two to three years, on racquet and ball sales to understand the true number. Morris agreed to circulate the TIA research.

Morris noted that following recent conversations with USAPA CEO, Stu Upson, pickleball is supportive of tennis being played on 44' courts, based on feedback received from public officials indicating the need for both sports to share space. Discussion ensued about getting a 44' court into the ITF rules of tennis. Morris advised some Sections believe USTA should be running pickleball leagues and tournaments because facilities are under pressure and need assistance. Morris further noted UTR has recently announced that they will develop their own pickleball rating, which will be integrated into their platform in Q1.

The Board considered the integration of DUPR and pickleball leagues and tournaments into Serve Tennis. Discussion ensued as to Section's involvement with pickleball, noting pickleball as an alternative source of revenue. Morris suggested that incorporating DUPR will help the Sections and help USTA collect additional data. Morris noted pickleball does not have the infrastructure to run programs and tournaments, which is an opportunity for tennis. Discussion ensued as to the USTA's mission and whether a nexus with pickleball helps or hurts tennis. The Board also discussed a pilot of compression ball programming.

Robust discussion ensued, with suggestions ranging from zero support or interaction with pickleball until such time that it is shown as a feeder for tennis, to initiating a marketing campaign to get people playing tennis with red ball on pickleball courts. The Board reached consensus to support the integration of DUPR within Serve Tennis, noting it will support development of red

ball format as quickly as possible for pickleball courts. The Board further encouraged the quick implementation of red ball on 44' courts. Morris advised that staff will also create a toolkit/talking points to advocate for tennis courts at the local level.

The Board warmly and profusely thanked Michael J. McNulty, Chairman of the Board for his service and leadership.

The meeting concluded at 11:50 a.m. (EST) on Saturday, December 3, 2022.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'BVH', is written over the printed name.

Brian Vahaly
Secretary-Treasurer

PROPOSED MODIFICATIONS TO STRATEGIC PRIORITY A

Attract, engage, and retain new generations of diverse tennis participants **at all levels of the game.**