

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

TELECONFERENCE

MARCH 28, 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, Maggie Chan Jones, William McGugin, Emily S. Schaefer, Bobby Sharma, Liezel H. Huber, Vania King, Megan Moulton-Levy, Directors at Large, and Michael J. McNulty, Immediate Past President.

ALSO PRESENT: Lew Sherr, Chief Executive Officer and Executive Director, Andrea S. Hirsch, Chief Operating Officer and General Counsel, Ed Neppel, Chief Financial Officer, Stacey Allaster, Chief Executive Professional Tennis, Rachel Booth, Senior Counsel, Managing Director Tennis Integrity, and Nellie Nevarez, Senior Director, Office of President, USTA Meetings & Conferences.

1. **Welcome & Opening Remarks.** Hainline called the meeting to order at 2:00 p.m. (EST) on Thursday, March 28, 2024. A roll call was taken and a quorum certified.

2. **Approval of Minutes.**

Upon motion duly made by Baill, and seconded, the Board approved the December 8 and 9, 2023 Minutes of the USTA Board of Directors Meeting.

Upon motion duly made by Baill, and seconded, the USTA Board acting as the Sole Member of the USTA Foundation Incorporated approved the January 8, 2024 Minutes of the Annual Meeting of the Sole Member of the USTA Foundation Incorporated Teleconference.

Upon motion duly made by Baill, and seconded, the Board approved the January 8, 2024 Minutes of the USTA Board of Directors Teleconference.

(Megan Moulton-Levy, Director at Large, and Joe Healy, Managing Director and Corporate Controller, joined the teleconference.)

3. **Receipt of Consolidated Audited Financial Statements.** Baill advised that the 2023 audit work is complete and that the USTA's external firm, BDO USA, LLP ("BDO") met with the Audit Committee of the USTA to review the 2023 Consolidated Financial Statements. He further noted that it was a successful audit and had progressed very smoothly.

Healy advised there were no disagreements between management and the auditors in conducting and completing the audit, no material deficiencies in internal control, and no significant changes in audit strategy. Healy affirmed that BDO issued a clean, unqualified opinion.

Healy provided highlights from material previously provided to the Board. He then reviewed the Consolidated Financial Statements and notes thereto for the year ended December 31, 2023, including an overview of the balance sheet, revenue, statement of activities, and cash flow for USTA. Healy characterized the balance sheet as exceptional, with more cash than outstanding debt. He spoke to the Innovation fund of \$30 million dollars created in 2023.

Healy summarized the statement of activities, describing surplus and cash flow numbers. Lewis clarified that the net decrease in cash was due to a shift to investments. Healy presented financial metrics and ratios, noting their importance to the rating agencies. He explained USTA is well above debt payment ratios, and that debt-to-current assets are tracking well. Healy then reviewed certain disclosures and footnotes, including the sale of the White Plains building, the New York City and Purchase office leases, and the pledges and commitments for Lulu's Place. Healy fielded questions about the LuLu's Place commitment and timing of payments.

Baill advised that the USTA Audit Committee recommends that the USTA Board accept receipt of the 2023 USTA and Affiliates' Consolidated Financial Statements.

Upon motion duly made by Baill, and seconded, the USTA Board unanimously received the 2023 USTA and Affiliates' Consolidated Financial Statements as presented.

(Craig Morris, Chief Executive, Community Tennis, joined the teleconference.)

4. Approval of Revised 2024 USTA Budget. Hanline reminded the Board of the decision made at the December 2023 Board meeting, regarding the need to make certain revisions to the preliminary 2024 budget. He explained that following additional work, a revised budget was approved by the Budget Committee.

Neppl explained refinements to the US Open budget and incremental changes made to the Community Tennis budget, which were well received by the Committee. Vahaly agreed, reiterating that the Budget Committee was satisfied with the Community Tennis budget, which includes investments on coaching and facilities. He advised the revisions were also well received by Section representatives to the Budget Committee.

Neppl provided guidance on budget changes for the Sections and Committees. Lewis fielded questions on the evolution of the Player Development budget, and explained the budget has increased since 2021, following the cuts made in 2020.

The Board discussed funding for Senior International Competitions, including an allocation of \$288,000 for 2024.

Upon motion duly made by Moulton Levy, and seconded, the USTA Board unanimously approved the Revised 2024 USTA Budget of \$38,088,000 as presented.

(Healy and Morris departed the teleconference.)

5. Approval of Compensation Committee Charter. Hirsch advised that the Compensation Committee's role is to discharge the Board of Director's responsibilities relating to compensation of the Association's Senior Management and to oversee and advise the Board on the adoption of policies that govern the Association's compensation programs. She noted that Senior Management includes the Chief Executive Officer & Executive Director, his/her direct reports, and any other highly compensated individuals designated by the Compensation Committee.

Hirsch explained the objective of the Compensation Committee is to establish a compensation strategy that is consistent with the mission of the USTA, its business objectives, and the not-for-profit nature and tax-exempt status of the Association. to develop and maintain compensation packages that are reasonable and are most likely to attract a diverse pool of candidates and to retain, motivate and reward high-quality, talented management. In addition, the Compensation Committee is responsible for establishing general compensation strategies for non-management employees. Hirsch referred to the proposed USTA Compensation Committee Charter previously circulated to the Board. The Board discussed the proposed edits to the proposed charter.

Upon motion duly made by Lewis, and seconded, the USTA-NTC Board unanimously approved the USTA Compensation Committee Charter, set hereto as Exhibit A and as amended.

(Henry Lescaille, Chief People and Culture Officer, joined the teleconference.)

6. **2023 Section Sentiment Survey.** Hainline provided background on the first Section survey issued in 2023 to gather feedback on the USTA CEO, Chairman and National Board. Sherr spoke to the importance of gauging Section sentiment, and his prioritization of repairing the relationship between the Sections and the National when he took the CEO role.

Lescaille introduced the concept of the Section sentiment survey, consisting of 10 scaled question and three open-ended questions, with key topics including *communication, collaboration, resources, and voice*. He highlighted the high response rate, and the exceedingly positive feedback regarding Sherr, with responses broken out by Executive Directors, Presidents and Delegates.

Lescaille reviewed responses relating to the USTA Chairman and Board, citing opportunities for improvement around trust-building and collaborative relationships. He then presented responses relating to the National Office, including suggestions to support Section growth with resources and focused listening. Lescaille advised that the open-ended comments included themes of improved communication, training, trust, transparency, and funding.

Lescaille fielded questions on next steps and year-over-year measurements. The Board discussed whether the Governance Task Force could assist in clarifying Section and National roles and improving processes. Discussion ensued regarding the need for greater personal interactions between the Board and Section leadership at the Annual and potential technology deployments to improve Board visibility, such as podcasts to humanize and showcase the knowledge of the Board members.

The meeting concluded at 3:10 p.m. (EST) on Thursday, March 28, 2024.

Respectfully Submitted,



J. Christopher Lewis
Secretary-Treasurer

UNITED STATES TENNIS ASSOCIATION INCORPORATED

COMPENSATION COMMITTEE CHARTER

Purpose:

The Compensation Committee's role is to discharge the Board of Director's responsibilities relating to compensation of the Association's Senior Management (as defined below) and to oversee and advise the Board on the adoption of policies that govern the Association's compensation programs. Senior Management includes the Chief Executive Officer & Executive Director, his/her direct reports, and any other highly compensated individuals designated by the Compensation Committee. The Compensation Committee shall not have the authority to fix compensation of the members of the Board of Directors who also serve on the Compensation Committee for serving on the Board of Directors or on any committee of the Board of Directors (such compensation shall be fixed by a vote of the majority of Board members who do not then serve on the Compensation Committee).

The objective of the Compensation Committee is to establish a compensation strategy that is consistent with the mission of the USTA, its business objectives, and the not-for-profit nature and tax-exempt status of the Association, to develop and maintain compensation packages that are reasonable and are most likely to attract a diverse pool of candidates and to retain, motivate and reward high-quality, talented management. In addition, the Compensation Committee is responsible for establishing general compensation strategies for non-management employees.

In approving each compensation package of the Association, the Compensation Committee shall approve the amount of the economic benefits provided to the Association's Senior Management in advance and after taking into consideration appropriate comparability data, and shall concurrently document the basis for approving such compensation package pursuant to this Charter.

Membership:

The Compensation Committee shall be comprised of The Chairman of the Board (the "Chairman"), First Vice President, Vice Presidents and Secretary/Treasurer of the Board of Directors and up to two such other members of the USTA Board as the USTA Board shall appoint from time to time; provided, however, that in no event shall a person with a "conflict of interest" with respect to a particular compensation arrangement participate in discussing or approving such arrangement. A "conflict of interest" for purposes of this Charter includes: (i) a material financial interest in the compensation arrangement, (ii) a familial, marital, or domestic partner relationship between the committee member and the executive or employee, (iii) an employment or other relationship whereby the committee member is subject to the direction or control of the executive or employee, or (iv) an employment or other relationship whereby the committee member's compensation or other economic benefits are subject to the approval of the executive or employee.

Comparability Data:

In establishing reasonable compensation, the Compensation Committee shall obtain and consider appropriate comparability data for both for profit and not for profit entities. Appropriate comparability data includes, but is not limited to, (i) information regarding compensation paid by similar organizations for similar services, (ii) the availability of similar services in the organization's

geographic area, (iii) compensation surveys compiled by independent firms, and (iv) bona fide offers to the employee by similar organizations competing for his or her services. The Compensation Committee shall have authority to engage independent consultants and commission compensation surveys or studies as it deems necessary or desirable. The Compensation Committee may choose to rely on the support of USTA staff or its own compensation specialists. If USTA personnel are assisting the Compensation Committee, the information must be solicited and received in an unbiased manner and should include comparisons with peer companies, analyzed by industry, size, complexity and other relevant factors.

Meetings and Reports:

The Compensation Committee shall hold regular meetings at least four times each year, generally in conjunction with the regularly scheduled meetings of the Board of Directors. When necessary, the Compensation Committee shall meet in executive session outside of the presence of any USTA staff. The Compensation Committee shall report on its activities to the Board of Directors.

The Compensation Committee shall maintain minutes of its meetings that set forth: (i) the terms of compensation and the date it was approved, (ii) the committee members who were present for the debate and voted, (iii) the comparability data and how the Compensation Committee obtained the data, and (iv) any actions taken on the matter by committee members who had a conflict of interest with respect to the compensation arrangement. The minutes of all meetings of the Compensation Committee shall be prepared before the later of (i) sixty days after such meeting or (ii) the next meeting of the Compensation Committee.

Principal Responsibilities:

The Compensation Committee shall be responsible for the following:

1. Review annually and approve the USTA's stated compensation strategy to ensure that it continues to reflect the mission of the USTA, its business objectives, and its not-for-profit status.
2. Approve, and advise the Board on an annual basis of, the individual elements of total compensation (salaries, bonus, incentives, deferred compensation, perquisites, etc.) for Senior Management to ensure that their compensation is reasonable, consistent with the USTA's compensation strategy and competitive with other firms of similar size with whom the USTA is likely to compete for talent. Typically, this will be accomplished based upon the recommendations of the Chief Executive Officer & Executive Director and Managing Director of Human Resources after review of comparative compensation and performance data.
3. Receive the evaluation of the Board of Directors of the performance of the Chief Executive Officer & Executive Director and determine his/her annual incentive plan payments and salary adjustments. On an annual basis, receive from the Chief Executive Officer & Executive Director, and review annually, the proposed performance reviews, and approve the recommended base salary increases and incentive compensation plan payments for Senior Management.
4. Review all annual incentive compensation plans to ensure (a) the reasonableness of the total compensation packages affected by such incentive compensation plans, (b) the

attraction and retention of high-quality, talented employees, (c) the motivation of Senior Management to achieve the USTA's business objectives, and (d) the alignment of the interests of Senior Management with the mission of the USTA. Such review should include the following:

- o at what level staff members participate in each incentive compensation plan,
- o the setting of annual corporate incentive targets; and
- o annual association wide incentive goals.

Additionally, the Compensation Committee shall review and approve any new compensation or incentive plans and any revisions to existing plans.

5. Determine the need for, and approve any, severance arrangements and employment arrangements that are other than "at will", and any other proposed compensation arrangement which could have a material impact on the Association.
6. Review and discuss with the Board plans for executive development and corporate succession plans for the Chief Executive Officer and Executive Director and other Senior Management to ensure continuity of leadership.
7. On an annual basis, review and reassess this Charter. Proposed changes shall be submitted to the Board of Directors for approval.
8. The Committee shall also carry out such other duties as may be delegated to it by the Board of Directors from time to time.

Adopted ~~November 30, 2022~~

9. Receive from the Chief Executive Officer & Executive Director, the performance reviews and approved recommended base salary increases and incentive compensation plan payments for Senior Management.