

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

**ARIZONA GRAND RESORT & SPA
PHOENIX, ARIZONA**

MARCH 2, 2023

PRESENT: Brian Hainline, Chairman of the Board, Brian Vahaly, First Vice President, Laura F. Canfield, 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.

ABSENT: Kathleen Francis, Vice 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, Rachel Booth, Senior Counsel, Managing Director Tennis Integrity, and Nellie Nevarez, Administrative Director, Office of the President.

1. Welcome & Opening Remarks. Hainline called the meeting to order at 8:00 a.m. (MST) on Thursday, March 2, 2023. A roll call was taken and a quorum certified.

Hainline welcomed the Board to the Annual Meeting. He spoke to his desire to make the meeting inclusive for all attendees, resulting in format and timing changes to session programming, including the elimination of most elective sessions and the creation of more general sessions, as well as the elimination of the awards luncheon. Hainline also encouraged the Board to spend time with volunteers and staff throughout the weekend. Sherr noted that the format changes provide an opportunity to deliver a consistent message on the USTA's building blocks and 2023 priorities. He also reviewed the topics to be addressed at the three mandatory electives.

Hainline then provided an update on international tennis matters, including several meetings he participated in while at the Australian Open. He referred to the PTPA and further opined that Tennis must prepare for disruptors such as those facing Golf. Hainline referred to the work performed by the Boston Consulting Group on behalf of the T7 to anticipate disruptors, noting that the Grand Slam CEOs are in the best position to spearhead this work. Hainline reflected on the alignment amongst the Grand Slam tournaments, advising that they are poised to enter into a memorandum of understanding that will signify a united front intended to further the sport for all constituents. Hirsch fielded questions as to the enforceability of the MOU and anti-trust implications.

Hainline provided a status update on Davis Cup in light of the terminated agreement between Kosmos and the International Tennis Federation ("ITF"). He advised that the Grand Slam tournaments support BJK Cup and Davis Cup as important parts of the tour. Discussion ensued regarding the roles and influence of the Grand Slams and the ITF.

ACTION: Distribute a copy of the draft Grand Slam MOU. Hirsch.

2. **CEO Update.** Sherr provided an overview of efforts to improve workplace culture and continue to improve the relationship with the Sectional Associations. Hirsch reviewed the findings of the culture survey sent to Section Leadership seeking feedback on Sherr and the National Board. Discussion ensued as to how to continue to make progress to reinforce the goodwill that currently exists. Sherr emphasized National will continue to engage with Sections as business partners, colleagues, and peers, highlighting the upcoming retreat for USTA senior staff and Executive Directors as an opportunity to engage.

ACTION: Share the results of the survey with Section Leadership. Hirsch.

Sherr updated the Board on senior staff employment actions, including transitioning Chris Widmaier, Managing Director of Communications, to a part-time advisory role following the 2023 US Open and a search for a new Managing Director to lead Public Relations, Social Media, Publishing, and Creative Services, who will lead strategy and execution relating to the mission and focusing on the benefits of the sport. Sherr also provided an update on the search for the new Managing Director, Section Partnerships. He then announced that Henry Lescaille has started in the role of Chief People & Culture Officer.

The Board discussed the resignation of Dan Faber as Chief Executive of the USTA Foundation. Hainline and Sherr discussed reaction from the Foundation Board as to USTA's efforts to retain Faber. Discussion ensued as to the need for the USTA Board to stay better informed and more engaged with the Foundation Board.

Sherr previewed some of the topics that would be discussed at the present Board meeting, including facility funding, pickleball and a long-term strategy for the US Open. He advised that outside resources are being engaged to provide thought leadership on several Community Tennis initiatives.

3. **Matters Arising/Action Items.** Hirsch provided updates to the Action Item Chart previously distributed. She responded to questions from the Board and discussion ensued regarding several ongoing matters. Sherr advised that changes to Player Development mission statement, high performance budget, and Pro Circuit are being evaluated for 2024.

4. **Approval of Minutes.**

Upon motion duly made by Baill, and seconded, the Board approved the January 6, 2023 Minutes of the USTA Board of Directors Meeting.

Upon motion duly made by Baill, and seconded, the USTA Board acting as USTA-NTC Board, approved the January 6, 2023 Minutes of the Combined Annual Meeting of USTA National Tennis Center Incorporated and Sole Member of USTA-NTC Meeting.

Upon motion duly made by Baill, and seconded, the USTA Board acting as USTA-PD Board, approved the January 6, 2023 Minutes of the Combined Annual Meeting of USTA Player Development Incorporated and Sole Member of USTA-PD Meeting.

Upon motion duly made by Baill, and seconded, the USTA Board acting as USTA Foundation Board, approved the January 6, 2023 Minutes of the Annual Meeting of the Sole Member of USTA Foundation Incorporated Meeting.

5. **Financial Update.** Lewis and Nepl presented the 2022 Financial Update and 2023 Budget Cash Flow Outlook. They referred to materials previously provided to the Board.

Lewis reviewed the balance sheet. He advised that the USTA's position has improved dramatically, discussing the decrease in debt and the increase in cash and investments. Lewis then provided an overview of the USTA Portfolio performance, valued at \$160 million at the close of 2022. He noted the portfolio serves as a safety net for the USTA and has the goal of generating an 8% nominal rate of return. Lewis then described the recommended composition and allocation for the portfolio as 40% equities and 20% each hedge funds, private equity and fixed income cash, which USTA is close to achieving.

Lewis spoke to the Series D Portfolio explaining that \$100 million from the Cincinnati proceeds will be set aside to repay the \$150 million note due in 2033. The goal for the Series D Portfolio is to generate a 5% per year nominal annualized return and to grow the portfolio to an amount adequate to pay off the Series D notes.

Nepl presented a US Open revenue and expense overview, comparing 2019, 2021 and 2022, noting that total revenue increased by \$63 million as compared to 2022. Nepl presented a chart displaying the total operational expenses by major area of spending for both 2019 and 2022, highlighting the increase in Section funding.

Nepl provided an overview of the Cash Flow Statement as of December 31, 2022, explaining that after all scheduled debt payment the USTA generated \$65 million. This amount did not include the proceeds of the sale of Cincinnati Tennis LLC.

Nepl further anticipates that the 2023 US Open will generate \$10 million less revenue, and that the US Open costs will be \$20 million higher than the 2022 US Open. He emphasized the Budget Committee will analyze the numbers to ensure spending dollars are spent strategically. He fielded questions on the Cash Flow Statement, forecasts for cash and liquidity positions, and methods to align the spend with the mission.

(Paul Burns, Section President, Charlotte Johnson, Section Delegate, and Eric Mitchell, Section Executive Director, USTA Southwest Section, joined the meeting.)

6. **USTA Southwest Section Presentation.** USTA Southwest Section Leadership thanked the Board for the Section funding bonus, noting it has made a big impact on programing.

Johnson described the Section's governance transition through the consolidation of its districts into the Section. Mitchell emphasized the benefits of the data analytics and shared services offered by National, such as access to Tableau, Google Suite, and Kinetica, noting that these systems might otherwise be unaffordable to Sections. Discussion ensued with respect to the need for more public courts and greater access to existing courts in light of growing league numbers. Mitchell noted the Section is soliciting cities to sign up for the USTA's courts assessment. Section Leadership fielded questions from the Board.

Burns noted that USPTA has been a great partner, noting that USPTA remains challenged logistically in its attempts to implement Safe Play, but advising that the Section nevertheless require tennis professionals to be Safe Play approved in order to receive grants. Mitchell fielded questions on the impact of pickleball, noting that while the senior community has embraced it, it has not affected the Section's

seven largest facilities. He spoke to the need to compete with pickleball advocates and to get the attention of local decision makers.

Hainline thanked the Southwest delegation for an impactful conversation.

(Burns, Johnson, and Mitchell departed the meeting.)

7. **US Open Equal Prize Money.** Hainline reminded the Board that USTA has been paying equal prize money at the US Open since 1973. He noted that in reviewing the corporate records and other publications regarding USTA history, he discovered that the payment of equal prize money was never formally approved by the USTA Board. Hainline proposed that on this 50th anniversary of equal prize money, the Board take the opportunity to ratify this decision.

Upon motion duly made by Hainline, and seconded, the Board ratified and formalized the decision to provide equal prize money for men and women at the US Open.

(The meeting recessed at 10:05 a.m. and reconvened at 10:20 a.m.)

(Marisa Grimes, Chief Diversity and Inclusion Officer, Henry Lescaille, Chief People and Culture Officer, and Mike Hinn, Knight Agency, joined the meeting.)

8. **Association DEI Mission and Values.** Hainline reminded the Board that at last year's Annual Meeting, McNulty appointed a Social Justice Task Force to develop a recommendation to the Board for how and when the USTA would respond to social justice issues, which resulted in the USTA establishing a process for evaluating and reacting to these types of issues. He noted that the Board agreed that more work needed to be done to establish a proactive strategy relating to key issues that the USTA should champion, with its position on these issues tied back to the USTA's vision for DEI, values, and what we want to stand for as an Association.

Grimes introduced Hinn. Hinn reviewed the objective of aligning on a set of core values that can feed up to a purpose to serve as the USTA's 'North Star' and ultimately inform the common goals of the association. He provided examples of other purpose-driven corporations and outcomes. Grimes noted that the USTA's purpose and culture must connect in order to activate on a social justice strategy.

Hinn presented the values of innovation, accountability, excellence, inclusiveness, integrity, and passion and noted a high level of alignment amongst the Board members. Hinn reviewed the key insights gleaned from the Board interviews and referred to materials previously provided to the Board.

Discussion ensued as to whether a connection to health, wellness, and longevity can be made to DEI values. Grimes fielded questions as to the difference between social justice and social impact, with the consensus being that social impact provides a broader and more impactful avenue to identify and approach issues. Discussion continued as to how the proposed six values could be refined, with suggestions to remove innovation and to consider including safety, fairness, health and/or wellness. The Board discussed the effect, if any, of the "purpose" on the USTA mission.

ACTION: Distribute the survey results and reports. Grimes.

Sherr introduced Henry Lescaille, the USTA's Chief People and Culture Officer. Lescaille described the opportunities and challenges of unifying and energizing to the greater USTA family.

(Grimes, Lescaille, and Knight, departed the meeting.)

Discussion continued on the importance of clearly defining the values and purpose. The Board reached consensus to convene a working group open to all Board members to review and revise the value definitions, the purpose statement, and North Star credo, and to define a proactive strategy to move forward.

ACTION: Convene a subgroup to continue to refine USTA values. Hainline/Grimes.

(The meeting recessed at 12:00 p.m. and reconvened at 12:45 p.m.)

9. **Governance Task Force.** Hainline reminded the Board that he assembled a Task Force to review the Association's governance and make recommendations to the Association relating to proposed changes. He advised that the Task Force developed a draft Charge, which requires Board approval in order for work to commence. Hirsch explained that the Board is being asked to approve the substance of the charge, as some wordsmithing is still underway. She advised that should the charge change materially, it will be brought back to the Board for consideration. Discussion ensued as the broad nature of the charge. Hainline and Hirsch fielded questions as to the purpose and need for the Task Force and the appointment of members.

Upon motion duly made by Canfield, and seconded, the Board approved the substance of the 2023-2024 Governance Task Force Charter, attached as Exhibit A hereto.

(Craig Morris, Chief Executive, Community Tennis, and Danny Zausner, Chief Operating Officer, National Tennis Center, joined the meeting.)

10. **Facility Funding/Mid-Atlantic Request.** Hainline explained that based on current and likely future requests from USTA Sections to build and operate large tennis facilities, USTA staff was tasked with developing an application and criteria applicable to such requests and with making a recommendation to the Board regarding National's financial support to build such facilities.

Morris presented an overview of the application and criteria and referred to materials previously provided to the Board. He advised that staff recommends that funding for mega-facilities move forward but be capped at \$2.5 million per year, regardless of the number of pending applications. Nepl and Zausner fielded questions on the monetary cap and the allocation of funds for local facility grants. Discussion ensued as to whether mega facilities will distract from other delivery efforts in the Section, ramifications should a facility go bankrupt, and the potential to enter into public-private partnerships.

The Board directed that Morris and Zausner add the following terms to the criteria:

- Require an impact study on under-resourced communities,
- Require a commitment to free or low cost opportunities for low-income consumers,
- Provide metric reports for a period of time TBD,
- Establish an endowment for operating costs, and
- Include a provision that if the facility is sold for any purpose other than tennis, the USTA will receive a refund.

(Kathy Renzetti, President, Don Patrick, Delegate, and Tara Fitzpatrick-Navarro, Executive Director, USTA Mid-Atlantic joined the meeting.)

Renzetti thanked the Board for its consideration of the request for funding. She opined that a grant from the USTA will help the Section in its fundraising efforts. Fitzpatrick-Navarro spoke to infrastructure gaps in the region and the lack of facilities capable of hosting tournaments/championships.

The Board queried Section Leadership on its financial and cost estimates, Mid-Atlantic's current financial position, and progress completed to date on design, zoning and permitting. Fitzpatrick-Navarro described the facility as centered within a 300-acre housing development in Loudoun County, Virginia and provided an overview of population density and demographics in the immediate community. She noted that the land is being provided for free by the County, in a public-private partnership. Section Leadership fielded questions on plans to serve under-resourced communities, allocations for future operational costs, financial reserves, facility staffing, and impact on other regional facilities.

(Renzetti, Paitrick, and Fitzpatrick-Navarro, departed the meeting.)

Upon motion duly made by Clark and seconded, the Board approved the USTA policy on Section Facility Funding and Section-Owned Facility Grant Application, subject to the inclusion of the criteria noted above. King and Moulton-Levy abstained.

ACTION: Update the USTA policy on Section facility funding and the Section owned facility application and criteria and distribute to Section Leadership. Morris/Zausner.

The Board discussed the Mid-Atlantic Section's application and the proposed location of the facility. It was noted that the location will not provide sufficient access to under-resourced communities and will include pickleball courts. Sherr presented the staff perspective that although not perfect, the facility will include a NJTL and offset court shortages, and therefore is supported by staff. He noted the USTA funding will only be provided after all other necessary funds are raised.

Upon motion duly made by Baill, and seconded, the Board approved the Facility funding request made by Mid-Atlantic, attached hereto as Exhibit B.

ACTION: Morris to advise the Section of the approval of the grant, amount, and the additional criteria.

(Zausner departed the meeting.)

11. Pickleball. Morris provided statistics on pickleball growth, reporting that 130 new locations open every month and that PTR now has 5000 certified pickleball professionals. He presented a multipronged approach to promote tennis and combat the effects of pickleball focused on: (i) a broad campaign to tell the story of Tennis, its growth and longevity benefits; (ii) development of a compelling red ball product that takes advantage of the new infrastructure, (iii) a game plan to recruit advocates and supporters at the local level to preserve courts and infrastructure and track/measure success, and to (iv) develop a perspective on whether to build, invest, buy, or partner with current pickleball entities.

Morris advised that some items in the aforementioned plan were immediately actionable, (noting that final interviews for firms to assist with a PR strategy and campaign were occurring) while other items needed to be studied and data-driven. Sherr explained the need to assess USTA's role, if any, in pickleball, and in the event the USTA chooses to engage, the subsequent work required to evaluate potential approaches and strategy. He opined the issue is not in and of itself pickleball, which fits into the American Development Model, but the loss of tennis real estate, and questioned whether USTA should consider

operating pickleball leagues, developing a competitive product; or otherwise investing in the sport. Sherr explained the need for guidance from external experts to present options and strategies, noting potential firms had been identified to conduct this assessment.

Discussion ensued as to Section efforts to deliver pickleball and whether Section-led pickleball provides opportunity to promote and grow tennis or conflicts with the USTA mission. Hirsch advised that the USTA constitutional purpose is tennis and that wholesale adoption of pickleball may require a change to the Constitution and notice to the IRS and State Attorney General.

Morris fielded questions about advocacy efforts, explaining that the USTA needs to develop a comprehensive “boots on the ground,” approach and materials that can be hyper-customized for local markets, as well as a process to track the success of efforts.

Morris fielded questions on the research being performed by Michigan State and the takeaways from the pickleball summit in January. He advised that DUPR data would soon be integrated into Serve Tennis, which would offer another data source. Discussion ensued about the viability of red ball on pickleball courts.

ACTION: Retain a strategy consultant and present advocacy model/tool kits and business strategy at June meeting. Morris.

(Morris departed the meeting.)

(Russell Lum, Section President, Walter Wong, Section Delegate, and Ron Romano, Section Executive Director, USTA Hawaii Pacific Section, joined the meeting.)

12. USTA Hawaii Pacific Presentation. Romano reported that tennis is booming in Hawaii noting increases in introductory Play and Learn programs and Junior Team Tennis. Lum advised that the Section’s biggest issue is lack of access to courts and that they are in talks with a developer to receive 7.5 acres of parkland for a new facility. Romano reviewed the demographics of the population within the vicinity of the site and spoke to plans for the facility and fundraising, emphasizing the land would be donated and estimating additional costs of \$3-4 million. Romano described the Section’s commitment to low-cost and free programming.

Discussion ensued as to the success of Play and Learn program. Upon inquiry, Romano noted the Section used the Serve Tennis platform for adult and junior tournaments, but cannot use it for Play and Learn.

(Lum, Wong, and Romano, departed the meeting.)

(Bob Hochstetler, Section President, Chris Boyer, Section Delegate, and Trevor Kronemann, Section Executive Director, USTA Southern California Section, joined the meeting.)

13. USTA Southern California (“SoCal”) Section Presentation. Hochstetler spoke to the Section’s approach, originated by Chris Lewis, which focuses on innovation, team events and sportsmanship, noting new value additions of collaboration, customer service and education. He extolled the collaboration between Section and National staff and described recent and upcoming events such as the Transplant Games, the Women Who Ace conference, and kids’ day at the upcoming Indian Wells tournament. Section Leadership described their education program and monthly call series with experts; camp operations at university tennis matches, and their focus on customer service. Kronemann advised that the Section’s biggest challenges are officiating, sportsmanship, and a lack of courts. They responded to

questions regarding the use of technology to solve issues such as officiating and their perspective on Lulu's Place. Morris noted that SoCal is first among Sections in participation rates.

(Hochstetler, Boyer, and Kronemann, departed the meeting.)

(The meeting recessed at 3:25 p.m. and reconvened at 3:40 p.m.)

(Zausner rejoined, and Stacey Allaster, Chief Executive, Professional Tennis, and Kirsten Corio, Chief Commercial Officer, joined the meeting.)

14. US Open Strategic Plan. Sherr advised that one of the 2023 priorities identified by the Board last term is the need for a strategic planning exercise that takes a longer-term look at potential growth and improvement opportunities for the US Open. He noted that Allaster, Zausner, and Corio have led an internal team, and working with Deloitte, have begun to identify and prioritize initiatives and capital improvements that the USTA will look to implement over the next five to seven years.

Zausner provided a brief overview of the successes of the 2019 and 2022 US Opens. He referred to materials previously provided to the Board as a preview intended to solicit feedback on the direction the team is taking.

Corio presented the desired US Open business outcomes over the next ten years, and the work streams identified to protect and grow revenue, enhance brand value and improve the fan, player, and partner experience. She spoke to the demand for premium experiences and the possibility of significant growth in premium product revenue subject to investment in the transformation of Arthur Ashe Stadium. Corio also explained concepts for growing and protecting sponsorships and global broadcast and data/streaming rights.

Allaster presented on potential player compensation models, advising that players are seeking a percentage of tournament revenue. She then provided an overview of potential compensation models and incentives.

Zausner presented a "re-imagined" US Open campus. Corio advised that the consumer-based concepts had been tested and validated as with actual fans and suite holders, as well as through comparables at other stadiums.

Sherr clarified that the vision presented is intended to provide the Board with a sense of staff thinking and is intended to elicit Board input. Discussion ensued as to methods to future-proof fan technology, ways to improve the digital and immersive experience on site and virtually through broadcast partners, and funding sources for capital projects. Zausner and Corio fielded questions on timing of improvements, and impact on hospitality/premier experience pricing. Allaster took questions on player compensation.

15. ITF Candidate Nomination. Hainline advised that Dave Haggerty has formally requested the USTA nominate him for another term as President of the International Tennis Federation ("ITF"). Hainline briefly described the political landscape faced by Haggerty in past and in the present campaigns. Hainline then advised of his intention to seek election to the ITF Board, noting his belief that it is USTA's ethical obligation to be in a position of leadership to the ITF. Discussion ensued concerning other possible candidates for the ITF Board. Hirsch advised that USTA Bylaw 27c requires the Board to nominate to the ITF Board persons from the United States. She explained USTA could endorse two candidates but cautioned it could cause a split vote.

Upon motion duly made by McNulty, and seconded, the Board approved the nomination of Dave Haggerty as ITF President for the upcoming term.

Upon motion duly made by Huber, and seconded, the Board approved the nomination of Brian Hainline as director of the ITF for the upcoming term.

The meeting concluded at 4:30 p.m. (MST) on Thursday, March 2, 2023.

Respectfully submitted,



J. Christopher Lewis
Secretary-Treasurer

Governance Task Force

The United States Tennis Association (USTA), in its 142nd year, is in a strong financial position, is witnessing consistent growth in tennis participation, and has fully engaged and highly skilled volunteers who work in conjunction with a highly effective staff, who are collectively committed to fulfilling the mission “to promote and develop the growth of Tennis” and espouse the benefits of the sport broadly across the nation. As a result of depth of societal disruption experienced in the early 2020's, many associations are taking a step back to review their structures, systems, and culture of governance. In a time where even committed volunteers have less time to give, where continual environmental change leads to the need to be nimble, a well aligned system of governance is essential for any nonprofit to meaningfully advance its mission. The position of strength, coupled with societal disruption and a near constitutional crisis in 2022, provides an opportunity for the Association to reflect on the current governance structure and propose changes designed to better position the Association for sustained relevancy and growth. The USTA Board of Directors hereby establishes a Governance Task Force to examine our current practices.

The Task Force on USTA Governance (“Governance Task Force”) will closely examine our governance structure and practices to better align them with modern nonprofit governance and with our emerging needs in a rapidly evolving environment. In this context, governance is defined as the “processes, structures, and organizational traditions that determine how power is exercised, how Sectional Associations and their Districts/Subdivisions participate in the Association’s governance structure, how decisions are implemented, and how decision-makers are held accountable.” In addition, the systems by which leadership is selected/elected for their critical roles including, without limitation, the volunteers at the committee level through the Board.

The Governance Task Force will focus its efforts on:

- clarifying how formal and informal organizational structures operate, and how roles and responsibilities within these structures are defined; and
- achieving and maintaining a culture of trust, respect, generosity of spirit, and collaboration.

The Governance Task Force will take a deliberatively inclusive approach to seek perspectives of where there are strengths in the current governance system to amplify as well as opportunities to evolve the system for a future-focused USTA. These perspectives will then be considered holistically across the whole governance system and translated into a series of recommendations for consideration. Such recommendations will then be presented to the President, and if accepted, the President will present the same to the USTA Board of Directors. If the Board of Directors agrees with the recommendations, they may then recommend that the recommendations be codified in the Association Bylaws, Constitution, policies, and procedures.

Specifically, the Governance Task Force will focus on the following:

- the roles, responsibilities, and expectations of volunteers within USTA;
- the voting/election structure of the Association;
- the term lengths of the Board of Directors and other volunteers of the Association;
- reviewing the impact that a 2-year term has on the International landscape in general and the Grand Slam Board and related entities in particular;
- the number and scope of Association Committees and Councils;
- the appointment processes (including restrictions thereon) for Council and Committee

Chairs and Council and Committee members;

- reimagining and reengaging the volunteer base;
- classes of membership and the rights and responsibilities pertaining to each;
- the governing documents of the Association (e.g., Constitution, Bylaws etc.) and the process by which these are changed; and
- other policies and practices relating to the governance of the Association that are atavistic, discriminatory, or otherwise impede the effective and efficient functioning of the Association.

This review and subsequent recommendations to the President and Chairman of the USTA will be informed by successful past practices of the Association as well as by current best practice in the governance of nonprofit organizations. Furthermore, it will assure that all of the Association's governing documents are compliant with the laws of New York, the jurisdiction within which the Association is incorporated, and are cognizant of the changing federal legal and regulatory environment.

AGENDA TOPIC: Section Owned Facility Grant Application**USTA Mid-Atlantic Tennis Center Application****PURPOSE OF DISCUSSION:**

Based on the current and expected future requests from USTA Sections to build their own large tennis facilities, this past fall, the USTA staff was tasked with making a recommendation to the Board to give financial support to build such facilities. After review of the staff recommendation in December 2022, the Board determined that they would review any Sectional applications based on specific terms and conditions and the following criteria:

- Supporting evidence that project will drive tennis growth locally
- Alignment with National and Sectional goals
- Community vitality i.e. latent tennis interest, drive times, walkability from schools, etc.
- Section business operations plan

Over the past number of months, the Mid-Atlantic Section has been making a number of verbal requests for funding/pledge towards their new facility as they commence the process of raising the funds to begin construction. Given their timing and request, they are in a position to be the first to submit a Section Owned Facility Grant Application to the USTA Board. This application, submitted earlier this month, has been reviewed by staff, who are now prepared to make a recommendation based on this review and all of the due diligence the USTA facility team have done on this project for the past 6-12 months.

QUESTIONS POSED:

1. Does the application provide a detailed business model with accurate operational assumptions?
2. Does the application include a detailed tennis programming plan that can be substantiated and will the programming have a strong component serving under-resourced youth in the region?
3. Is there a true need for additional tennis courts in this community?

EXECUTIVE SUMMARY:

USTA Mid-Atlantic has made a compelling argument that there is a tremendous need for a new tennis facility in Loudoun County, Virginia. Their aim is to grow tennis in their Section by creating accessible and inclusive opportunities that enrich all lives. Their new facility will be located in the highest density of USTA tennis players and they strongly believe the location is ideal to meet the needs of existing players, while simultaneously capitalizing on growth potential within the county and surrounding areas.

The application provides a detailed business plan that was put together with support from the Ground Rule Company, who is acting as an owner's representative to them on this project.

While reviewing the submitted business plan, we have pointed out several line items (e.g. 33%

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submitted business plan, we have pointed out several line items (e.g. 33% profitability, private lesson revenue, insurance) that did not appear to be within industry standards, and the applicant was quick to provide additional feedback to allay concerns. The applicant provided a detailed tennis programming plan that clearly demonstrates top quality programming and events that engage players and fans at every point in their journey. They believe the center will foster growth and engagement for the industry and surrounding community and they are committed to establishing a new NJTL chapter based at this location.

Based on tennis standards of one court per 10,000 population, USTA Mid-Atlantic is in need of an additional 165 indoor tennis courts. There is only one facility located within 10-mile radius of the proposed tennis center. This facility would be the only facility with an NJTL program within 30 miles' radius. This would also be the only one in the county that would offer youth and adult tournaments as well as collegiate play and other high-level events.

While the USTA Board approved application process does require a confirmed construction budget/timeline and a listing of all funding sources, we recognize that Mid-Atlantic is not yet far enough along in the process, but desires to show our financial support in order to secure the balance of funding required to bring this project to fruition.

Additional terms and conditions that would apply to ALL section applications, that are not included in the application form and have been discussed with the Mid-Atlantic Section and was part of the conversation with the Board in December 2022, include;

- USTA's investment depends upon its financial position and outlook at the time of its pledge. The USTA's reserve policy must be maintained with a suitable cushion.
- The USTA pledge will be given based on a reasonable timeline for project completion.
- USTA National will invest no more than 10% of the initial capital cost of the tennis court portion of the project (excluding office space and stadium courts) with a maximum cap of \$2.5M for any one large-scale tennis facility.
- USTA's capital (not pledge) will be the last capital in & the project must be fully funded before the award is confirmed. Time restraints will be placed on USTA's pledge at the time of the pledge. If the facility has broken ground within 3 years, the pledge will be withdrawn.
- USTA's capital investment is finite and will not change should the project's cost of construction increase. The USTA will assume no risk for the cost of overruns.
- The USTA will not make any investments toward the operating budgets for these large-scale tennis complexes.
- USTA will support one section request per 10-year period. An exception may apply to the largest sections eg. Southern, based on the request.
- Pledged funds are the last monies in and funds MUST be raised in a three-year window with ground broken, otherwise a new application must be submitted.
- USTA's total "investment" pledge in large-scale facilities will be limited to a maximum of \$2.5M per calendar year.

Staff Recommendations

Based on this information, the USTA staff is recommending to the Board that this funding/pledge request be approved; subject to all remaining documentation being provided prior to any funds being released.

Pros: Shortage of facilities in America. Leverage of significant outside investment into the game. Deliver better experiences for players (essential to retention). Major facility directly aligned with all USTA initiatives. Build collaboration between National and Section.

Cons: May distract the staff on growing tennis across the entire Section. Potential to be a drain on financial resources for the Section.

APPENDIX: Mid-Atlantic Section Owned Facility Application