

Timberline Youth Soccer Association

Meeting Minutes
March 28, 2012

Opening: The meeting came to order at 7:18 p.m. at Lonestar College-Greenspoint center, room 306.

Present: Hal Hutton, David Ortmann, Brad Martin, Keith Wall, Rick Friedman, Don Gay, Jennifer King, Mark Zylker, Jake Moser, David Stewart, James Simmons and Pete Smith.

Administrator – Terri Cahill

Purpose of Meeting: To discuss potential expulsion of Conroe Youth Soccer League.

Mr. Hutton reported that there isn't an agenda for this meeting since it deals with only one subject. Mr. Hutton reported that there are several issues that Mr. Martin, Mr. Wall and he have been working on with the Conroe Board. He turned the meeting over to Mr. Martin to give the overview of the issue.

Mr. Martin, TYSA Treasurer, gave an overview of issues that have been addressed with the Conroe Youth Soccer League (also operating under the name Conroe Dutch Lions) since September 2011.

Administrative probation

Fielding of an ineligible player, Rules of Competition (Redbook), Sections 2.3 and 11.2. Following a formal D&P hearing, the club administrator was found to have intentionally violated these rules with full knowledge and understanding of them. The club was placed on administrative probation on November 1, 2011, and admonished that further administrative lapses and violations would be dealt with strictly by published rules, regardless of special circumstances. [D&P report]

Non-profit status

Club must maintain non-profit status and comply with all requirements for such organizations, STYSA Rules and Procedures, Rule 3.1.10.a and website clarification (http://www.stxsoccer.org/Publications/index_E.html). Although formed as a Texas non-profit organization in 2007, the club failed to file for its 501(c)(3) exemption, and had never filed an annual report with the IRS. This issue was surfaced in January 2012, STYSA was informed and requested to assist, and all delinquent returns have now been filed. [STYSA letter]

Payment of Association Fees

Club must satisfy its financial obligations in a timely manner, TYSA Constitution Section 11.2, TYSA Bylaws Section 5.9, TYSA Rules of Competition (Redbook) Rule 3.2. Fall registration fees were invoiced and due in October 2011; after numerous discussions and a warning on December 20, 2011 that the club was at risk for ongoing administrative violations, an agreement was reached between TDL (as agent for CYSL) and TYSA on December 27, 2011 to accept payment on January 7, 2012. This payment date was missed, with the TDL requesting a monthly payment plan. The payment plan was rejected, and the fees were paid on behalf of the club via a personal check on January 12, 2012. [fall invoice][check]

- **At 7:30 p.m., Mr. Hutton announced that this meeting is going into Executive Session - non-Board members were asked to leave.**

Mr. Martin began to work with the Conroe board and TDL executives in January 2012 to address the underlying causes of the issues described earlier, and gave an overview of what has been uncovered.

Third-party Relationship

CYSL has established a business relationship with the Texas Dutch Lions LLC. This was documented in the club's Board minutes of May 4, 2011, and representatives have attended TYSA meetings as guests. The TDL business vision is described on their website at www.texasdutchlionsfc.com/cms. TYSA governing documents do not prohibit such agreements as represented. [CYSL minutes]

Continued Administrative Problems

Club must satisfy its financial obligations in a timely manner, TYSA Constitution Section 11.2, TYSA Bylaws Section 5.9, TYSA Rules of Competition (Redbook) Rule 3.2. Fall playoff fees were invoiced in November 2011 and payable prior to tournament play; these fees remain unpaid as of this date. Per the referenced governing documents, a club automatically loses its Good Standing once it has failed to meet its financial obligations; CYSL has not been in Good Standing since October 2011. [playoff invoice]

Player fees to be paid to the club by the player, TYSA Bylaws Section 5.8. No fees have been collected by the club; all payments are made to TDL, a for-profit corporation. The elected board of CYSL has no visibility, control, or accountability over the collection and use of these fees as they are considered by TDL as TDL revenues and not subject to oversight. This concern was first shared on December 23, 2011; again at a joint meeting between CYSL, TYSA, and TDL on January 12, 2012; and during multiple subsequent conversations. [TDL letter 1]

Constitution & Bylaws

Governing documents must be approved by TYSA and may not conflict with TYSA and STYSA requirements, STYSA Rules and Procedures Rule 3.1.10.b, TYSA Bylaws Section 5.2. The CYSL Constitution and Bylaws dated November 11, 2010 were accepted by TYSA and posted on the CYSL website. A new set of governing documents dated September 16, 2011 was approved by the club's board, but not posted or filed with TYSA until February 2, 2012; the club operated under these documents during this period. Upon review, TYSA found serious conflicts with TYSA and STYSA requirements and rejected the submitted revisions. CYSL revised and resubmitted the club's Constitution and Bylaws, dated February 15, 2012, which were accepted by TYSA. [constitutions 1-3]

CYSL Board Authority

There are concerns regarding the Board's effective control over the operations of the club. Several potential violations of STYSA/TYSA governing documents were not fully resolved as a basis for expulsion, but do provide insight as to whether the documented violations are likely to be persistent.

- *Membership in TYSA cannot be assigned, TYSA Bylaws Section 5.7.* The member club is accountable for its actions and those arising from any third-party management agreements.
- *The club must adopt a written Constitution and Bylaws, STYSA Rules and Procedures Rule 3.1.10.b, TYSA Bylaws Section 5.2.* It remains the duty of the club to follow them.
- *Member clubs must be non-profit organizations and comply with all requirements as such, STYSA Rules and Procedures Rule 3.1.10.a.* The club must maintain transparency to its members.

It remains unclear as to who is the decision making body of the club; there is no executed services agreement with TDL. Without board approval or agreement:

- Marketing to existing and prospective members has promoted TDL to the exclusion of CYSL, to include disabling of the CYSL website and transfer of hosting ownership, registration and marketing materials, and player fee changes.
- Reassignment of Conroe Parks field reservations from CYSL to TDL.
- Constitution and Bylaws of the Texas Dutch Lions Youth Soccer Club, dated March 16, 2012 was presented to the City of Conroe Parks and Recreation Department as evidence of membership in TYSA. Beyond the false membership claim, many of the elements causing the rejection of the CYSL constitution Dated September 16, 2011 remained. [constitution 4]
- Financial management issues were discussed separately.

CYSL Membership Concerns

There is visible evidence of growing member discontent from both supporters and detractors of the relationship between CYSL and TDL. Under threat of litigation, the CYSL board has approved a special election that opens all Board positions for this election cycle (versus the constitutional even-/odd-year procedure). This item is shared for informational purposes only, as it is under the club's purview.

Financial Management

Beyond the STYSA requirement that all clubs comply with the requirements of a 501(c)(3) non-profit organization, financial management of the club remains its responsibility. Without seeking an authoritative determination as to whether these non-profit requirements have been met, there have been a number of actions on the club's behalf that provide an indication as to whether the pattern of financial delinquency will remain.

- Payments totaling approximately \$21k were made during May-July 2011 from CYSL to TDL, which has left the club with minimal funds. All player fee payments are made directly to TDL, leaving no source of income for CYSL. [payment history]
- TDL has made assurances that they will be responsible for club liabilities, but there is no enforceable contract in place. Payments to several outside vendors are delinquent by as much as 219 days; outstanding invoices, excluding TYSA, are approximately \$5k. Payments to TSRA referees are delinquent and/or have "bounced," and at least one member has reported a "bounced" refund check. [TDL letter 2][accts payable]
- TDL stated that 40% of player fees remain uncollected and have created a cashflow constraint. Affinity reports indicate that as of March 28, 2012 just over \$120k has been collected, with approximately \$65k overdue. [Affinity report]
- Accounting process is closed to those outside TDL as it is a private corporation. A high-level explanation of sources and uses of player fees was provided, noting several large expenditures made without CYSL board approval, including marketing expenses and video equipment purchases totaling \$48k; player uniform expenses were approximately \$53k. [financial stmt.]

The TYSA Board discussed and asked questions regarding all aspects of each of the areas listed. Mr. Gay and Mr. Ortmann's primary concern was on ensuring that their players have a place to play soccer and that they have a good experience. The entire Board agreed that the players should not be penalized.

The Board concluded that Conroe has persistently operated and continues to operate in violation of TYSA's Constitution, Bylaws, and Rules of Competition, despite numerous opportunities to remedy the issues.

Mr. Martin presented options for the TYSA Board to discuss to resolve the matter.

- **Motion** made by Mr. Martin - Due to persistent violations, despite numerous attempts by the CYSL board to separate the mission, purpose, and financial operations of the non-profit member club CYSL and its relationship with the for-profit Texas Dutch Lions, I move to find CYSL subject to Article 11.1 of the Timberline Constitution, and that the club be expelled from the Association effective May 14, 2012. This finding is in no way confined to a prior issue, now resolved, concerning IRS reporting.
 - The motion was seconded by Ms. King.
 - Votes of Member Club Presidents affirming motion (# votes):
 - Klein (3034) – Mr. Moser
 - Cy-Fair (856) – Ms. King
 - Kingwood Alliance (894) – Mr. Zylker
 - Montgomery (220) – Mr. Stewart
 - Texas Rush (1661) – Mr. Simmons
 - Texas Heatwave (1082) – Mr. Smith
 - Vote of abstention:
 - Conroe (346) – Mr. Gay
 - Absent
 - Aldine United (64)

⇒ Mr. Hutton declared that the motion passed.

- **Resolution** brought forth by Mr. Martin - The Timberline Board and neighboring clubs will work aggressively and cooperatively with the current Conroe Board to ensure a smooth transition into next season and to meet the soccer needs of the Conroe-area youth.
 - The resolution passed unanimously.

Adjournment: Mr. Simmons made a motion to adjourn the meeting at 9:09 p.m. Mr. Stewart seconded the motion. The motion carried unanimously.

NOTE: This vote was reaffirmed by the Board on April 20, 2012.