

U. S. Chess Federation Motions from the October 8th Conference Call

EB 06-024 (Bill Goichberg)

The contract between USCF and ChessCafe shall be modified as follows:

- 1) ChessCafe relinquishes the rights to sell at all national tournaments after 12/31/05.
- 2) USCF accepts \$86,500 from ChessCafe to settle all obligations between ChessCafe and USCF through March 31, 2005. The \$86,500 shall be paid as follows: \$43,250 upon the signing of the revised agreement and \$43,250 within one year thereafter.
- 3) ChessCafe immediately pays commission fees to USCF for April, May, June & July 2005 at 13.5%.
- 4) From August 1, 2005, the commission rates will be 12.0% on the first \$2,000,000 and 15.0% on sales above \$2,000,000.
- 5) ChessCafe may bid for the sales rights (if available) at tournaments run by USCF, or sell its products (if the organizer agrees) at tournaments not run by USCF. For tournaments run by USCF, the commission rate to be paid to USCF is to be negotiated. For tournaments not run by USCF, the commission rate to be paid to USCF will be 5%. Sales at the 5% commission rate are not considered to be part of the overall sales referred to in #4.
- 6) Guarantee for all years of the contract after the first is reduced to \$150,000, plus proceeds from the 5% commission sales referred to in #5.
- 7) ChessCafe exercises the option to extend the contract through March 31, 2012.
- 8) Contract subject to Tennessee Law.
- 9) Chess Cafe will pay the legal fees incurred by the USCF connected with the revision of this agreement, provided that ChessCafe's obligation shall be limited to \$1000 in such fees.
- 10) Hanon Russell will personally guarantee the \$150,000 minimum annual payment for the duration of the contract. He will also provide a representation that his personal net worth is between \$1.5 million and \$2 million, and is willing to show Bill Goichberg or Bill Hall his personal financial statement (but not transmit a copy) on the condition that the USCF representative viewing the statement not reveal details to anyone, and only report to the Board their conclusion regarding his net worth.
- 11) Upon a Board vote in favor of this motion, ChessCafe shall send checks to Harry Sabine to hold on behalf of USCF for the April through July 2005 payments and the first half of the \$86,500 due. Harry Sabine will be authorized to release these funds to USCF upon the signing of the revised contract.

12) The ChessCafe sponsorship of the Grand Prix will for the present time not be extended for 2006. Future talks between USCF and ChessCafe are envisioned with the objective of continuing this sponsorship.

The following substitute motion was proposed:

EB 06-025 (Joel Channing) Subject to consulting with our attorney and executing a contract with classical games, and terminating an existing contract with Chess Café, USCF hereby agrees to enter into a contract with Classical Games within ten business days of the date hereof, failing which USCF will endeavor to execute the proposed amendments to the Chess Café contract. The Classical Games contract will provide for the following: minimum 150 thousand dollar personal guarantee, three year term with the USCF option for four after that, provision that no other businesses of Classical Games will advertise or solicit business in the US except for websites that Malcolm or any affiliate of his runs for other non-affiliated entities. He can't have a piece of another website and be running it. Minimum monthly payments, 12.5% of the first million and 15 million thereafter but to be made in monthly payments, 12.5 for the first million, 15% over a million, capping the local business operation at 100 thousand dollars gross, after which 15% commission on everything earned by that business. Conditional upon and commences when the Chess Café deal is terminated and upon discussions with Hanon and advice of counsel, we'll decide if we will initiate proceedings with Chess Café.

MOTION FAILED. 3-3. In favor: Channing, Marinello, and Schultz. **Against:** Goichberg, Tanner, and Shahade.

EB 06-024 (Bill Goichberg)

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- 3) ChessCafe immediately pays commission fees to USCF for April, May, June & July 2005 at 13.5%.
- 4) From August 1, 2005, the commission rates will be 12.0% on the first \$2,000,000 and 15.0% on sales above \$2,000,000.
- 5) ChessCafe may bid for the sales rights (if available) at tournaments run by USCF, or sell its products (if the organizer agrees) at tournaments not run by USCF. For tournaments run by USCF, the commission rate to be paid to USCF is to be negotiated. For tournaments not run by USCF, the commission rate to be paid to USCF will be 5%. Sales at the 5% commission rate are not considered to be part of the overall sales referred to in #4.

- 6) Guarantee for all years of the contract after the first is reduced to \$150,000, plus proceeds from the 5% commission sales referred to in #5.
- 7) ChessCafe exercises the option to extend the contract through March 31, 2012.
- 8) Contract subject to Tennessee Law.
- 9) Chess Cafe will pay the legal fees incurred by the USCF connected with the revision of this agreement, provided that ChessCafe's obligation shall be limited to \$1000 in such fees.
- 10) Hanon Russell will personally guarantee the \$150,000 minimum annual payment for the duration of the contract. He will also provide a representation that his personal net worth is between \$1.5 million and \$2 million, and is willing to show Bill Goichberg or Bill Hall his personal financial statement (but not transmit a copy) on the condition that the USCF representative viewing the statement not reveal details to anyone, and only report to the Board their conclusion regarding his net worth.
- 11) Upon a Board vote in favor of this motion, ChessCafe shall send checks to Harry Sabine to hold on behalf of USCF for the April through July 2005 payments and the first half of the \$86,500 due. Harry Sabine will be authorized to release these funds to USCF upon the signing of the revised contract.
- 12) The ChessCafe sponsorship of the Grand Prix will for the present time not be extended for 2006. Future talks between USCF and ChessCafe are envisioned with the objective of continuing this sponsorship.

MOTION FAILED. 2-3-1. In Favor: Goichberg and Tanner. **Against:** Schultz, Channing, and Shahade. **Abstention:** Marinello

EB 06-026 (Joel Channing)

The contract between USCF and ChessCafe shall be modified as follows:

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- 3) ChessCafe immediately pays commission fees to USCF for April, May, June & July 2005 at 13.5%.
- 4) From August 1, 2005, the commission rates will be 12.0% on the first \$2,000,000 and 15.0% on sales above \$2,000,000.

5) ChessCafe may bid for the sales rights (if available) at tournaments run by USCF, or sell its products (if the organizer agrees) at tournaments not run by USCF. For tournaments run by USCF, the commission rate to be paid to USCF is to be negotiated. For tournaments not run by USCF, the commission rate to be paid to USCF will be 5%. Sales at the 5% commission rate are not considered to be part of the overall sales referred to in #4.

6) Guarantee for all years of the contract after the first is reduced to \$150,000, plus proceeds from the 5% commission sales referred to in #5.

7) ChessCafe exercises the option to extend the contract through March 31, 2012.

8) Contract subject to Tennessee Law.

9) ChessCafe will pay the legal fees incurred by the USCF connected with the revision of this agreement, provided that ChessCafe's obligation shall be limited to \$1000 in such fees.

10) Hanon Russell will personally guarantee the \$150,000 minimum annual payment for the duration of the contract. He will also provide a representation that his personal net worth is between \$1.5 million and \$2 million, and is willing to show Bill Goichberg or Bill Hall his personal financial statement (but not transmit a copy) on the condition that the USCF representative viewing the statement not reveal details to anyone, and only report to the Board their conclusion regarding his net worth.

11) Upon a Board vote in favor of this motion, ChessCafe shall send checks to Harry Sabine to hold on behalf of USCF for the April through July 2005 payments and the first half of the \$86,500 due. Harry Sabine will be authorized to release these funds to USCF upon the signing of the revised contract.

12) The ChessCafe sponsorship of the Grand Prix will for the present time not be extended for 2006. Future talks between USCF and ChessCafe are envisioned with the objective of continuing this sponsorship.

13.) Chess Café agrees to a 15 day monetary default period.

14.) The term of the agreement will be to 2009 with an automatic extension to 2012 providing ChessCafe has not been in monetary default.

15.) ChessCafe agrees to pay monies associated with membership and advertising for which it is currently in arrears.

MOTION PASSED 5-1. In Favor: Goichberg, Marinello, Channing, Shahade, and Tanner. **Against:** Schultz