

May 2009 Executive Board Meeting - Saint Louis, MO - Minutes Open Session 1

Bill Goichberg: I'd like to welcome everyone to the Executive Board meeting. We'll start with officer reports. Vice-President of Finance.

Randy Bauer: April financials have been prepared. Things are pretty much the same as they were last meeting. Revenues are tracking remarkably close to budget within about \$30,000 – under by about \$30,000. That's the good news. Other good news, if you look at major cost centers in the organization, like the magazine it's down from budget; expenses associated with membership also down; most administrative costs are down - staffing aligns with budget remarkably well.

The problem is we have \$363,000 to date expended for legal expenses. Clearly that's extraordinary. It's unfortunate. I find it extremely frustrating because at the same time we got a large bequest, which we have used to pay down some of the mortgage. At the same time we had that opportunity to really do something for chess, and we've been faced with these kinds of legal expenses.

Unfortunately as we met yesterday & the day before Bill Goichberg, Bill Hall Chuck Unrhu, Joe Nanna, Mike Nolan & myself, we still have to confront that as we go forward with next year's budget. To me that's extremely harmful for the United States Chess Federation to have to be defending lawsuits and taking other actions to defend its interests. Otherwise we'd be in a very good place right now, but for those expenditures. It's entirely possible we could have paid down our mortgage entirely. Next year we could have had a structurally balanced budget and started making some additional investments in areas that would help us fulfill our mission. As it stands we continue to face that legal expense, so our budget's going to bump the wall. I'm confident that the budget we will produce will continue to do a good job of figuring out where we'll be on the revenue side of the ledger, and also continues to restrain expenses. We also have some other ideas that we're ready to put into action to continue to reduce ongoing expenses. But the real issue that we'll continue to face now and in the foreseeable future is legal expenses associated with lawsuits. Not a pretty picture.

Bill Goichberg: Thank you Randy. Now the Report of the President.

I was actually disappointed with the April numbers, especially the number of Scholastic memberships. Adult memberships have been holding up fairly well, actually adult membership has held up fairly well for over three years now. If you look at the number of members it looks like it's dropped a fair amount but really it hasn't because the drop consists mainly in the age change that was made in 2006, where ages 20-24 used to be part of Adult now are part of Young Adult. If you account for that, there hasn't been much change, just very slightly down. Unfortunately Scholastic category has been weaker, particularly this fiscal year, especially in April. When we discussed that, we felt that one of the reasons was that SuperNationals were at the beginning of April therefore the memberships mostly came in March or February. In past years we've always had one of the Nationals in May and one of them in late April, so we were getting memberships in April. But that's not the real explanation. I think due to the bad economic conditions, the schools and school districts are feeling the pinch in the money used to

support chess clubs. You would think it would be the same with adults and they would not be able to play in adult open tournaments because of the economy, but it's not happening much. It seems like it's the kids where it's happening, especially the younger kids.

In the Young Adult category we're doing pretty well. Like Adult, Young Adult is holding pretty well, with only very slight declines. Financially that category is doing better because we're taking in about the same amount of money we used to, and our expenses are much less, since most of them don't receive Chess Life.

So, financially we're well ahead in that category, but in the Scholastic category we've been losing enough so I don't think we're particularly ahead there. We're saving some money on the magazine. When the full year is up we'll realize the full savings. It's not hurting our bottom line. Just right now it's hurting our cash flow.

To sum up the situation with the dues changes I would say the Young Adult financially is very beneficial. The scholastic change has been somewhat beneficial. The Youth is also being somewhat beneficial. Regular Adult membership, we only have about \$1 added to the anticipated net, and the membership is holding up fairly well. I'm kind of disappointed, because I thought that membership category would go up because of the \$29 option. Even though more than 1/3 of the members are choosing that option, membership has not gone up. It's actually gone down a little bit. One might say that offering that option is not helping but I'm not so sure, because if we were not offering that option then we might see Adult membership starting to decline again. The number of Adults choosing Regular is a little higher than we projected. Since we're looking at the probability of more legal fees we discussed the possibility of raising that \$29 rate to take in some money and not hurt membership.

Looking ahead to the future and what we can do to improve things, one of the projects we've been discussing for a long time, and hasn't happened because Mike Nolan is so overworked, is the better use of e-mail. We're now anticipating somewhere around September, we'll actually be set up to do this. We need to do mass e-mailings for a number of purposes. One is to remind people to renew their membership. Another is that if they have regular membership to notify them that Chess Life or Chess Life for Kids is now available online. Also, we should make e-mailings available for a fee to affiliates. We won't ever sell e-mail addresses, those are private, but we should tell affiliates "if you want to do an e-mailing to promote an event send us your text, it costs so much per address, and we'll do it for you". I think we could make some money this way and at the same time it's a great service to affiliates. For an affiliate to do a postal mailing it costs .30 to .50 and here we could charge .05 to .07. I think this service would be very popular.

Another thing we touched on just a little bit was – is there anything we can do about online play? Possibly we could use online play to promote membership. We discussed this quite a bit a year ago, and the issue was how online play should be rated. It is a very controversial issue. There were motions at the Delegates' Meeting. They didn't seem to be too happy with most of the alternatives and as a result we got sidetracked. I think it's time to start discussing this again. This is not on the agenda, but I suggest we place "Online Play" on the agenda for tomorrow at 11:30am.

Bill Hall suggested the topic be changed to “Online League Play”. After discussion “Online League Play” was scheduled for 11am and “Election of FIDE Zonal President” was moved to 11:30am.

Randy Bauer commented that he agreed with Bill Goichberg about raising the Regular Adult membership to \$34. When they made their original analysis, about the number of adults that would choose that option, the number was lower. So, by keeping the option and raising the rate it will positively impact the bottom line while keeping the optimal mix of options open to our adult members.

Bill Goichberg: Report from Executive Director, Bill Hall.

Bill Hall: One of the biggest things we’ve had going on was at the beginning of April we had the largest chess event that we conduct. We had 5247 attendees, 73 short of the world record we set four years ago. Considering the economy we felt that was pretty positive, as we had budgeted for 5000. We definitely covered our expectations. This was an incredible event with some very special guests – Garry Kasparov, Alexandra Kosteniuk, and Greg Shमितoff. It was very exciting. Garry signed some 7000 autographs. One of the things I thought was most surprising was that he was absolutely mobbed in the elementary section when he went to make the first move.

The facilities there were absolutely amazing and the hotel staff worked very hard to make it a successful event.

We had great people. I want to recognize Pat Knight Smith who was in charge of the overall event, which is no small task. There are only a small handful of people in the country that could make that event happen, and Pat did a fantastic job.

You also have to have good behind the scenes people, and one of them is here, Mr. Phil Smith, our Back Room TD.

Note: Applause and congratulations to Pat Knight and Phil Smith on their April 25<sup>th</sup> marriage.

Phil has also joined our staff, which is representative of our changing focus. Mike is always covered up with huge projects, and one of our major changes is the importance of our web services and trying to grow an online community. The web is the future. If we don’t find appropriate strategies to position ourselves with the web, we’re going to become a dinosaur. We have to put more time, focus, effort and resources toward that. He’s not Mike’s assistant, rather he works with Mike.

Too, I’d like to give a special thanks to the incredible sponsors, who are sponsoring the United States Championship. The last two rounds are this weekend. The facilities at the Chess Club and Scholastic Center of Saint Louis are fantastic. They have put forth the effort to make this a spectacular event. They will also host the Women’s Championship in October. We thank them for that event and for hosting the Board Meeting.

Legal fees have been challenging with their financial impact. Also the economy has had an impact, however President Goichberg has said we are recession resilient and the numbers prove that true. Actually the tournament attendance is up. Adult membership has been slightly impacted by the economy. The economy may also be driving the increase in the percentage of Regular (online) memberships. As the economy is longer term troublesome, then it has more of a chance to impact the scholastic memberships and efforts. If we have another year to year and a half of difficult economy, we'll have to watch out. One of the things we've budgeted for is a lower attendance at some of our national events next year.

As far as tournament activity, it seems that as the economy has gone south, more people are playing chess. That's an opportunity for us to strategize and improve the online community aspect and retain those coming back to chess.

I'd also like to thank Joe Nanna for his hard work on the budget. Also he and Daniel spent a lot of time getting together a contract proposal with Quebecore, which we'll have to the Board in about a week. It greatly reduces the printing expenses, which helps our budget.

We're also sending out a "Life Member Letter". It will clarify that Life Members are not losing their paper copy of Chess Life. They will be contacted once every three years to reconfirm that they want to continue to receive Chess Life. One of the driving factors is that Chess Life is now available in pdf format online. As more people become technologically savvy and used to reading things on the Internet, they will prefer it as their delivery mechanism. Online delivery saves us money. They may choose online now and in the future change back to the printed magazine.

Randy Bauer: This is inline with our wanting to stay in touch with our members. It allows them to opt out of the magazine either because they've lost interest in chess or as a way to help the Federation financially. They may discontinue receiving the magazine for a period of time and then opt back in.

Bill Goichberg: This goes along with something I read online about Chess Life for Kids being discontinued. I don't understand the persistence of this rumor. There has never even been a proposal to discontinue Chess Life for Kids.

Bill Hall: The set up costs on the CL4K print runs are such that we keep it economically viable. We will also offer it in pdf format online. The pdf would be created by the publication staff.

Something we have to be aware of is, that we are moving toward infrastructure problems.

The computers in the office were purchased about four years ago. They are quite old and we are starting to have to replace them. That doesn't impact the P&L, but is a cash item. Cash flow is very tight this summer. We need to keep sight of the fact that we are going to have to invest in the computer infrastructure in the office.

Also over the last few years we've had an erosion of benefits to the employees. With the tight finances and legal fees it's the employees that have to bear the burden. Over the long term, that

will make it difficult to retain a good staff. The main erosion is to health benefits, something I discussed at last year's Delegates' Meeting. The health insurance premium has gotten so outrageous that we're now at the point of employees having a \$3000 deductible, with a max out of pocket of \$10,000. The plan is ok if you're very healthy or very un-healthy otherwise it's not very good.

Those are some of the challenges we're facing. With our good contingency plan, regardless of what happens, we feel very comfortable that the USCF will be intact and rolling along. It's just a question of how painful do we have to make some cuts if some things aren't clarified, and some people don't allow us to continue on in a healthy fashion. Any questions?

Bill Goichberg: What is the situation with book and equipment sales?

Bill Hall: We should have a contract ready for the board to vote on within the next week. I have a preliminary draft that I'm going through right now. We signed a letter of intent with the winning bidder and they have started doing sales on a commission basis up until June 1, 2009. The contract should be in place by June 1, 2009. House of Staunton was the winning bidder and they are acting as USCF Sales. They have been ramping up inventory and now have a massive selection. I feel very good that they will be very inventive in reinstating the USCF Sales name to a level of prominence in the market. You have to get creative to stay viable and be flexible to address the changing market dynamics. I feel very comfortable that now USCF Sales has a much better direction.

Randy Hough: Is it now appropriate to set the record straight on another Internet falsehood about what we were deriving under the old contract? The assertion is that we were deriving \$150,000 a year.

Bill Hall: There was a guarantee with the old contract of \$150,000. We currently have a dispute with the former vendor that we're dealing with in arbitration, as the former contract provides. We have received significantly less than that to the current date and that is under dispute.

Randy Bauer: You also have to factor in some expenditures we've made on their behalf, which are being disputed as well.

On the topic of Marketing at 11:30 today, Laura Slay, Rex Sinquefield's publicist involved in the marketing of the US Championship and one of her colleges will be here to give us some ideas of the strategies they've used. Their website for the United States Championship has drawn hits from 149 countries. It is a tournament of phenomenal interest internationally. They have successfully stressed chess as a lively sporting contest.

Bill Hall: USCF Sales would have the right to match a winning bid for Scholastic events. It is important there be a performance clause in the contracts. If there are consistent problems, possibly 2 events in a row that right is forfeited.

Randy Hough: Bill is this just for Scholastics or any other tournaments?

Bill Hall: All national events the USCF runs in-house.

Bill Goichberg: Lets now proceed to the budget.

Randy Bauer: We have copies of what the working group I mentioned covered. Joe Nanna is best qualified to walk through the details of it.

Joe Nanna: On the revenue side you can see that there really isn't a significant change comparing to last year. What we did was we took the historical numbers that were generated throughout the year from the different months and consolidated that and said – "this is the way the memberships have been going". We compared membership levels where they are today, where they were over the last few years, and said we don't see where the revenue's going to change in the membership category. So we used that as the criteria to base our budget performance on going forward into next year. Basically that is the same with all revenue categories with the exception of tournament revenues. Tournament revenues I rely on someone else to provide me that information. Then what we did is to use those numbers, and actually made comparisons with where we were last year, and the year before that to see whether or not those numbers were within reason. So in essence the revenue numbers appear basically consistent when you look at the membership levels and the different categories in the memberships. We don't see where the revenue has significantly changed other than the fact that if membership should increase then naturally we're going to see a change in the membership category. We've been averaging 82,000 members. If that category should go up to 85,000 members that number would significantly impact membership revenues, and impact on rating fees. There is a trickle down effect on the various categories within the revenue section.

Randy Hough: But that would be partially off-set by increased printing and postage.

Joe Nanna: It all depends on whether or not they opt to take the magazine. If they opt not to take the magazine, and go to the Internet version then naturally...

Randy Hough; Well I'm assuming that half of them will take the magazine.

Joe Nanna: Obviously that would have an impact and we'd have to take that into consideration. This budget is not based on the fact that memberships will increase up to 85,000. We're saying that memberships will be staying relatively static as to where they are today.

Randy Hough: That's always a safe assumption.

Joe Nanna: It's a more conservative assumption.

Bill Goichberg: There's something I don't understand here. We had discussed in our meeting a possible slight decrease in membership revenue, but this looks like it's a slight increase.

Joe Nanna: What we did, Bill, is that when we talked about that yesterday, we were looking at various different changes, then when we recognized that there wasn't there was an error within the one re-classification I decided to leave that alone without making any changes there.

Bill Goichberg: I'm looking at the total, and revenue through April 30<sup>th</sup> is \$1,457,000.

Joe Nanna: I think we're going to meet our budget numbers. That's short about \$115,000, shy of what the budget number was for 2009.

Bill Goichberg: Here it says there's \$196,000 short, and I don't see how we're going to get that in 1/12<sup>th</sup> of the year. May's a below average month.

Joe Nanna: The difference is actually \$196,000, and we probably won't meet that number revenue wise.

Bill Goichberg: We have \$1,457,000 revenue for 11 months, then in May we're going to get lower than average, maybe \$120,000 so we may finish with \$1,577,000 so why show \$1,641,000?

Joe Nanna: Like I said when I initially started we looked at the overall trends of the last couple of years and they have been in that particular area. We can always change that if you feel we should.

Bill Goichberg: You're saying that the overall trend has been increasing?

Joe Nanna: The overall trend has been rather static. When we say what percentage of revenues is associated with membership this is the way it works out. We looked at the various different categories to see what it looked like over the last three years. I can see that the trend appears to be that level so we factored it in. We did the same thing last year, if you recall. Because there's nothing that tells us what specifically...

Bill Goichberg: The trend has been slightly down, but not drastically. I think that's what we usually budget, and that's what we were discussing budgeting yesterday. It just doesn't look like that was done.

Joe Nanna: We didn't change it because when we were looking at it yesterday there were various different items to factor in. All the changes with the exception of membership revenue, because when I looked at it the night before on the spreadsheet that I'd prepared I noticed there was an error in one of my calculations. So, when I made that change I decided to leave that alone. I could reduce it by \$30,000, you're going to shift that \$685,000 and we're in a budget loss.

Bill Goichberg: What we were talking about was budgeting \$30,000 less than this year.

Joe Nanna: If we budget \$30,000 less we're going to come in with a negative number for the budget.

Bill Goichberg: Well we have to be realistic.

Joe Nanna: I think the numbers are realistic based on the way things have been going. If the membership stays at the levels they are today, you're correct and these aren't realistic. But the membership should increase slightly over where we were last year, then these numbers are realistic.

Bill Goichberg: Why should we expect membership to increase? That would be nice, but with the economy clearly hurting Scholastic memberships...

Randy Bauer: Bill, I think we should have that discussion after he finishes his rundown of where everything is.

Joe Nanna: If you feel we should change these numbers, then we'll change these numbers.

Bill Goichberg: Well, that's what we're here to talk about for the next few hours.

Randy Bauer: Let's let Joe finish.

Joe Nanna: We've made some significant changes when you look below the revenue. We've made some significant changes in the expense categories. When you start looking at magazine expenses, naturally you're going to see some changes in last year's budget versus this year's budget. When we start looking at the actual, after the May figures are in, you're going to see that we're going to be down about \$50,000 going forward in magazine expenses. Because Daniel and I spent a considerable amount of time with Quebecore, looking at reducing their cost to us. The only thing we couldn't reduce was the amount of paper costs and ink costs, because those are commodities subject to change. Paper prices go up you pay the higher price. If prices go down they pass the savings on to us as a reduction. We've been able to negotiate better rates from them for their overhead and labor. Quebecore is just coming out of Chapter 11, so they've significantly changed their infrastructure, got some better equipment which will make it a lot faster for them to print some of the magazines. In fact we have TAP Publishing that does the Chess Life for Kids and what we decided to do, with Board approval, is to consolidate the Chess Life for Kids and the Chess Life under one roof. We feel that we'll get some economies of scale working with them, and that going to significantly help us in our efforts to continue to keep our costs down.

Randy Hough: What does the one roof mean?

Joe Nanna: Chess Life for Kids and Chess Life will be prepared by Quebecore. It probably be done in Minnesota. That's where they do all of the printing for Chess Life now.

We had two different printers. We had a printer locally in Crossville, but there seemed to be a problem with some of the files they transfer back and forth – Daniel would be best to explain this. Daniel certainly recommends it. We've discussed it and decided that would definitely be the way to go. It's up to the Board.

We are seeing some reductions. What we did was we set up a template that had different volume levels and Daniel provided the volume levels going forward for where he thought Chess Life and



Chess Life for Kids was going to be. With the changes in costs that we negotiated, we were able to plug in those numbers and come up with a pretty good feel for where we think we're going to be with the magazine cost going forward.

We also looked at reducing mailings and promotions. We talked about it yesterday and decided that we're going to cut back on sending out renewal cards. We send out a tremendous number of renewal cards throughout the year, some of which go back years and years in the past and it's a very costly proposition.

Bill Goichberg: And we're going to take up the slack with e-mail.

Randy Hough: How do you get around spam stopping your emailing?

Bill Goichberg: That's one of the reasons why Mike Nolan has always talked about the spam problems when we've asked him about e-mailings. It may be necessary to use a service. I use a service and never get any spam. It seems it costs a little over \$0.01 each. Mike said he checked and it would cost the USCF \$0.02 each. Even at \$0.02 I think we could charge \$0.07 to affiliates and we'd make \$0.05 on each one. The affiliates would get to do a mailing for \$0.07 instead of \$0.30 to \$0.50.

Randy Bauer: We had made the assumption that we'd start doing some of that, but one of the things that's been hanging up is the USCF privacy policy which according to our website requires 90 days notice of change. Last night I went to our privacy policy and made the changes that would allow us to do what Bill was talking about. We'll discuss that more later.

Bill Goichberg: Of course it's not just affiliates, but we need to send mass e-mailings ourselves. We need to publicize national tournaments better. Certainly every member that we have an e-mail address for should receive a series of emails before expiration and even after expiration.

Randy Hough: Question. You're saying that by paying the cent or two, the mailing will not go into any recipients spam box?

Bill Goichberg: No, I'm not saying that. There's no way you can guarantee that. The email will not be flagged by the Internet service providers as spam.

Randy Bauer: You pay for them also to physically execute these mailings.

Bill Goichberg: Whether they go into spam boxes is determined by the settings.

Randy Hough: I think a lot of them will.

Bill Goichberg: It doesn't seem like it.

Randy Bauer: We're getting off subject. We'll talk about that when we have it on the agenda. Let's keep going with the budget. Joe....

Joe Nanna: Personnel. What we've done is four different theorizations looking at cutting personnel costs. It has been decided starting in June for four months we're going to cut everybody's salary by 20%. So we had to factor that in to bring the budget more in line with what the membership is looking for. They've been talking for a long time about cutting costs and cutting costs. I've set up a cost structure showing publication costs, and administrative costs. For the last couple years you can see where all the costs have been coming down with the exception of the administrative category. The only reason the administrative category hasn't been coming down is because of the legal fees that we've incurred over the last year. So, built into this budget is a 20% reduction in payroll cost for the first four months of the fiscal year.

Bill Goichberg: That's not really a reduction in salary, right? It's a reduction in work time.

Joe Nanna: Well, it's a reduction in salary. You reduce work by 20%.

Bill Goichberg: It's not a reduction in per hour salary.

Joe Nanna: Right, they're not required to work. Regardless it's still a 20% cut.

Bill Goichberg: It's a cut in expense. I just don't want people to think....

Joe Nanna: It's semantics. Any way you look at it it's a 20% cut. That's what we built into the budget. Also professional fees, I had \$100,000 more than what's presented in the budget, because right now we're sitting at \$363,000 that we've spent so far this year on professional fees. There are additional fees we'll have to book in the month of May, which is going to push that up a little higher. So, what we did was reduce it by \$100,000. If for some reason or other the legal thing can't be settled within a reasonable period of time, I can assure you that number is going to be significantly higher.

The budget itself has been based on looking at historical data and the historical information that we're generating. It's a lot better than you were getting before – trust me. I think the people in the office have done a great job in pulling things together and providing us with information that at least is verifiable and that we can rely on. Ask a question and we can give you an answer. You may not like the answer, but we're going to give you an answer based on the information we have available to us. If it's available to us, it's available to you.

Randy Bauer: What's this profit sharing?

Joe Nanna: Profit sharing. That was in last year's budget. That is the amount of money we had to pay to Spectrum to bring the profit sharing plan to where it should be. Right now the profit sharing plan is over. It's an expense we incurred last year that we had to make up for previous...

Bill Goichberg: Besides Spectrum we had to put money into the plan.

Joe Nanna: That is the plan. It was administered by Spectrum. We had to put money into the Vanguard to bring the plan up to date. We did receive a notice from the Department of Labor.

They are auditing it. We had to send a lot of information, in the last two weeks. Hopefully once they receive all of the information and have a chance to review it, there may be some questions to individual Board members from the Department of Labor. Fortunately for us the members of the Board that were instrumental in this whole situation are no longer here. I don't know how long it's going to take for them to review the data, but if we can get a clean bill of health that should take that off the table.

Randy Bauer: Who's "them"?

Joe Nanna: The Department of Labor

Randy Bauer: In Tennessee?

Joe Nanna: No, in Atlanta, GA. It's their field office in Atlanta.

So we didn't budget anything this year because we don't feel that there should be anything. In fact we are in the process of paying off everybody as we speak. I'm hoping that Randy and Bill both signed that document that we sent out that would require one signature, because one of them is very difficult to get in touch with. The other is much easier. Bill's much easier to get in touch with than Randy is. If we only need one signature, that should help. We don't have that many more checks to issue, because we've been sending out these checks. Hopefully within the next several weeks that will be gone - an issue taken off the table. Ready for some quick questions. None yet?

That leaves us with a balanced budget based on these numbers right here. Whether that's achievable... It's our best guess as to what's going to happen based on the historical data we have, and looking at the future holds for next year.

We have a contingency plan in place stating that if our legal fees continue to increase, we may have to make other arrangements, take other steps in the payroll area. We may have to do this for a little bit longer. My iterations were – a budget with out any changes; a budget for 12 months with 4 months of payroll changes; and a budget going forward with 12 months of payroll changes. That is in my estimation, the only area where we can have an impact on the bottom line. I think everything else, with the exception of the magazine. I think once we get a feel for how many people are going to take the magazine and how many aren't going to take the magazine, that could have an impact on the P&L statements expense wise, but we're not sure how that's going to shake out.

Randy Bauer: Aren't the early indications that people aren't electing to take the magazine?

Joe Nanna: There is a greater percentage of members opting not to take the magazine on the Adult side. There's also a newsletter that we're sending out. So those that don't get a magazine will get a newsletter, so therefore you're gong to see a shift from one to the other.

Bill Goichberg: Adults are slightly more that are not taking the magazine, than we expected. Young Adult, Youth and Scholastic – our projections were pretty accurate. In the Adults it is

somewhat more that are not taking the magazine than we expected. Now, at the same time, about 2/3 of the Adults do take the magazine. It's the only category where most of them take it. In Life Members it's a very large percentage that take it.

Randy Bauer: Joe, I know you worked with your best efforts on this FIDE tournament expense category, but I just want to understand the numbers. The proposed budget for 2010 shows and income of \$77,000 for FIDE, and it shows and expense of \$100,000 that we have to send to FIDE. That expense is way down from \$227,000 and \$255,000. How did we get that?

Joe Nanna: The Olympiad. Our expenses for the Olympiad were \$150,000. I rely on someone else to provide these numbers.

Jim Berry: It went from \$255,000 to \$100,000. Where's the \$155,000 in savings?

Bill Goichberg: There's no Olympiad. However, there is a World Team. So, you're right where are these savings coming from?

Bill Hall: Did you put the numbers in?

Joe Nanna: I put the numbers in that I was given.

Jim Berry: Who gave you the numbers for FIDE?

Joe Nanna: Mr. Hall. All the revenues for tournaments I receive from other people, because I'm not familiar enough with tournaments. However, starting in June we're going to start analyzing tournaments – number of members; what revenue we get; what are the expenses that go into these tournaments?

Jim Berry: Does that include anything for the World Championship cycle?

Joe Nanna: I have everything on my computer that would answer your question. I don't have it readily available. I can set up my computer.

Randy Bauer: It's not that important.

Joe Nanna: There were a tremendous number of expenses for the Olympiad.

Bill Hall: I think what you've done is put a lot of the FIDE expenses in the USCF category. That would be the reason for the USCF expenses to be so high.

Jim Berry: They exploded from \$284,000 to \$500,000.

Joe Nanna: I didn't have information until the last minute. I didn't get a breakdown by month, what I did get was a total for the entire year. So I compared that year's total with what I had and we were within a couple thousand dollars so I said we're going to go with these numbers. We can always adjust them as we're going forward. Once I get the months laid out then I can say ok

here's how it works out with FIDE and it might shift some of those numbers from USCF down to FIDE, but it's not going to change the total amount in income or expense. It may change where it's allocated.

Bill Goichberg: The total makes sense. The individual doesn't make sense. The total is down about \$70,000 and I'm thinking that's the Olympiad. The \$100,000 minus World Team \$30,000 is \$70,000.

Joe Nanna: You're right. The categories might change but the total is right. Bill & I haven't actually had an opportunity to review this.

Randy Bauer: We've done this over the last couple of days so we'll have to polish it up as we...

Bill Goichberg: It's not \$70,000 it's actually more like \$53,000. The total makes sense.

But I don't think revenue makes sense.

Randy Bauer: Ok Bill, how are we going to get our \$30,000 back?

Bill Goichberg: I think it's more than \$30,000. What we were talking about was membership revenue projected the same as this year. Then I said no it shouldn't project the same. It will probably decline about \$40,000 less. Then we said ok, \$40,000 less, but if can raise the Regular \$29 Adult to \$34 and put back \$10,000 – so \$30,000 less. So I still think \$30,000 less, but less than what? I'm looking at \$1,457,000 for 11 months. That's about \$130,000 a month. May is a less than an average month. We won't get the \$130,000 in May. Let's say you get \$110,000. So that means the total is \$1,567,000 minus \$30,000 is \$1,537,000. That's over a \$100,000 problem.

Randy Bauer: Well, when we were first talking about it, we were making a calculation based on what. You're now calculating an actual. It is less. It's not \$30,000 less it's about \$12,000 less. This isn't what we discussed.

Bill Goichberg: No, now we're seeing an actual. I'm saying why are we budgeting more than actual?

Randy Bauer: The reason we were budgeting more than actual is that's not what we were budgeting off of. We were budgeting....

Bill Goichberg: Ok, so now we have other information.

Randy Bauer: Why don't we reduce it, by your calculation? Can we see what the month of May has been for the last couple, three years?

Joe Nanna: I have last year through the month of May, and I have...

Bill Goichberg: What was last year?

Joe Nanna: I think the number was \$117,000 for the month of May last year.

Bill Goichberg: Ok, so Bill Hall says \$110,000 for this year. That's about right.

Randy Bauer: We're not tracking that far off on a month-to-month basis.

Bill Goichberg: \$1,567,000 sounds like a good guess for this year. If we're guessing that, then we certainly can't budget \$84,000 more than that. I think we have to budget less. It's easy to balance the budget by just putting revenue in. It doesn't work if the revenue doesn't show up.

Randy Bauer: The goal is..we think that number will be about \$30,000 less next year. That means we have about \$100,000 that has to be cut.

Joe Nanna: I don't think we can make adjustments anywhere else in the budget. Expenses side. What is the Federation going to do to increase revenue? That's what I said yesterday. It's one of the things I'm concerned with. I see the membership revenue has not been increasing. If anything membership revenue has been static or has been declining. I brought that up to the Board yesterday. I said the thing you have to focus on is membership revenue. How do you increase membership revenue? You can talk about it all you want. We can only cut expenses so far without jeopardizing the services that we provide to the membership. There's a line of how far we can go. I think we've done a good job in cutting expenses. I can show you categorically what we've done. In publishing expenses; in membership expenses; in administrative expenses you can see – year-to-year they have been declining. But I haven't seen any change in the revenue section, and every time it's brought up there always seems to be some kind of an excuse that's brought up about why we can't increase membership revenue. I think that's the driving force behind the Federation. You had 89,000 members several years ago, now you're down to 81,000-82,000. Membership – that's the driving force. We've cut costs. We've done everything we possibly can, and we're continuing to do that. But I don't see the effort on the other end. I think the effort has to be on the other end to increase memberships. There seems to be a lack, to make that a reality.

Bill Goichberg: We've made changes that were approved by the Delegates in Dallas that increased the net from each member. We haven't seen the full benefit of that yet. But we did make changes in revenue. Unfortunately overall membership is declining. With the bad economy, we have to be realistic and expect it will decline again this fiscal year.

Bill Hall: I don't think Joe's arguing that we budget more revenue. He's saying we need to talk strategies on how to improve that...

Bill Goichberg: We need to talk strategies on anything we can find that's realistic that will either increase revenue or cut expenses.

Randy Bauer: Ok, let's talk about some of the revenue numbers. Our expenses associated with the magazine continue to increase. What are our advertising rates like? Have we done an analysis as to whether or not those can be increased?

Bill Hall: It's a pretty small pool of market there.

Randy Bauer: Yes, but we are their way of reaching that market.

Bill Hall: Right, I'm sure we can tweak that somewhat and get a little bit more revenue there but it's such a small portion of the revenue. The majority of our advertising money comes from organizers, with tournaments. We certainly don't want to raise TLA fees. Display ads we could probably tweak a little bit. Maybe we get \$50,000 with that.

Bill Goichberg: We could raise it 10%.

Jim Berry: We need to go after more \$300,000 bequeaths.

Randy Bauer: Joe's right. We have to look on the revenue side across all of the opportunities that exist now, not just membership dues. That's one of the things, Bill Hall, when you were first hired, you talked a lot about were strategies. That isn't an area where we have seen it grow. I think we have to pay attention to this.

Joe Nanna: We can balance the budget by going to the 12-month payroll reduction plan. We can very easily over ride that \$30,000 reduction in membership revenue, by extending the payroll reductions that we're putting in force June 1<sup>st</sup>. But there's no guarantee that you're going to keep the people. Because obviously if you do that and something better comes up in the market place, they're going to go.

Bill Goichberg: Also, we wanted to keep that in reserve in case the legal fees are higher.

Joe Nanna: Ok, so there you go....

Bill Goichberg: So, if you keep that in reserve, we'll go through these other categories. We can make increases, maybe not gigantic that will turn anyone off, but let's see what we can do. How much we can come up with. It could be either more revenue or less expense. We're just looking for anyplace where we can take in some more money without making a change that's so radical that it's going to have a bad effect.

Joe Nanna: The only area I feel that we can.... The big bucks are in payroll. That's where your biggest savings are going to be. We can nickel and dime everything to death, but that's the only thing that salvages it.

Bill Goichberg: That is, but if we're keeping that in reserve, then we're going to have to find something else.

Joe Nanna: Everything has to be realistic when you're looking at the budget. It's something we can strive for. What can we do to make it a reality? Is it possible that we can make this happen? If it is, then we can put it in the budget because now we have a goal to shoot for. It says "I want to increase memberships by 2,000 members because that's going to save the organization". How do we do that? You have to make a concerted effort. You have 81,000 members out there that

are potential marketing people. They can bring in somebody else. The membership itself is your marketing tool.

If there was as much energy put into increasing memberships as there is in the forum saying all these nasty things about people can you imagine how big this organization...Take that energy and convert it to increasing membership.

Jim Berry: This percentage of revenues under tournaments has increased from 21% to 26%. Bill Hall how did you get that up 5%?

Bill Hall: Which category?

Jim Berry: Tournament revenues. All of a sudden we have revenue of \$660,000 projected..proposed.

Bill Hall: I have on my sheet USCF tournaments \$550,000 on my spreadsheet. It's not something that you have. It's one I've put together. \$550,000 in revenues, \$349,000 for expenses in USCF tournaments. Then FIDE tournaments \$71,000 in revenue and \$212,000...

Jim Berry: Wait a minute.. I see the percentage increase. You had to take out 13% for bequeaths for last year that aren't coming this year, so you assigned that percentage to tournament revenues.

Joe Nanna: We have to review that, Jim. The numbers that I got from Bill, did seem to be a discrepancy between what he's showing me now and the numbers that I received. I'll have to look at the email that I have to manipulate this a little bit.

Jim Berry: I hate to budget tournament revenues at \$750,000 if that's not realistic. Because than all of a sudden we have a loss.

Joe Nanna: That's why I said we're looking back. Bill is showing me some numbers that don't seem to be the same numbers that I was looking at. I could be wrong and this would be adjusted. It would have an impact a little bit on the bottom line, but I think that's one area of concern. I apologize for that.

Bill Goichberg: I don't see any revenue here from web advertising.

Bill Hall: Web advertising should be in general advertising. All the advertising goes under one category.

Joe Nanna: One of the things Bill, when I started with the Federation, you had a revenue category for everything under the sun. It didn't make any sense to me because your general ledger was this thick. What we had to do because we have Peachtree, you can put it under one heading. Then you can go in by line item and find out what those specific advertising revenues were for.



Bill Goichberg: Ok, I want to know when it says Chess Life advertising does that mean Chess Life and web advertising?

Joe Nanna: It would be everything. We can change the heading. With Peachtree you can download it into Excell and do all kinds of manipulations.

Randy Bauer: One question Joe... what is professional expense.

Joe Nanna: Professional expenses in a normal year might run \$115,000 or less. We had contractors in there last year.

Bill Hall: Our typical legal and audit...

Joe Nanna: Yes, we had legal fees, audit fees, there are some Spectrum fees in there. So now that Spectrum is going away, it's going to be under \$100,000.

Bill Hall: Normally around \$30,000

Joe Nanna: I'd go more conservative and say around \$70,000 to \$75,000 to be on the safe side.

Bill Hall: Typically we don't have wild lawsuits. Then the only legal fees we have is occasionally getting an opinion and doing patents and copyrights.

Joe Nanna: What I have to deal with is that we changed the layout of the general ledger a year or so ago. We did a lot of different things, so to try to get the information from past years is almost impossible. So what we have to use is what we're building as we go forward. That's why I say the data you're getting now is better than it ever was, and it's going to continue to get better because we now have the ability to go in and make it better. We have it structured so we can analyze a lot faster.

Randy Bauer: I agree. It's a lot better system. We still need to make some adjustments.

Bill Goichberg: We need to go through and find maybe a bunch of small things that will add up. Here's one. The number for rating fees seems to be too small - \$126,000. I just want to go through the whole thing and see if we can change some numbers, and then add it up. It still probably isn't going to close the gap completely. But maybe we can make a lot of progress.

Randy Bauer: Close the hole of \$100,000. Already we've identified \$10,000.

Bill Hall: There's more of a gap there with the discrepancy with tournament numbers.

Bill Goichberg: What's the problem with the tournament numbers?

Bill Hall: The numbers that I've got on my spreadsheet to calculate that is \$125,000 less in profitability than what was shown here. We've got quite a bit more to come up with.

Bill Goichberg: These numbers seem to make sense.

Bill Hall: I think they're high. I can have Pat print off a copy of my spreadsheet on the tournaments.

Jim Berry: Are you talking about your tournament section for 2010?

Bill Hall: Yes.

Jim Berry: So you have \$125,000 less?

Bill Hall: I have \$125,000 less profitability. \$130,000 less on the revenue and \$92,000 less.....No wait. It's \$42,000 difference in profitability.

Jim Berry: Ok so \$750,000 income, \$600,000 expenses - \$150,000 profit from tournaments.

Bill Hall: I've got for tournament revenue \$634,900, because I don't have Correspondence in there. Then total expense I've got \$511,800 plus \$9,600 so about \$521,400.

Randy Bauer: First of all, the numbers that we have on tournament revenues...that's \$35,000 difference. That's less profit than this budget.

Bill Goichberg: Total tournament revenue?

Bill Hall: Total revenue include the correspondence \$134,900, I mean \$634,9003

Jim Berry: Instead of \$751,000?

Randy Bauer: No, FIDE is in that \$751,000. Not just USCF tournaments.

Bill Goichberg: The allocation between USCF and FIDE doesn't seem to be right. I think it's easiest to just do the total.

Randy Bauer: You say the total is what Bill?

Bill Hall: Let me get this..\$635,000

Bill Goichberg: How is that happening? What tournament isn't getting any entries?

Randy Bauer: The real question is what tournament is getting extra entries to get it up to \$751,000?

Bill Hall: I'm going to have this printed up so everyone can see it.

Randy Bauer: We did make some adjustments on the additional entry fees. Is that it?

Bill Goichberg: I believe the more important number is the actual we had through May 30<sup>th</sup>. We don't have more tournament revenue in May do we? Tournament entries for the next fiscal year...we don't count that. So that's it for the year \$641,000. Why are we projecting \$751,000?

Randy Bauer: Because at first we made an adjustment for changing entry fees.

Jim Berry: We're raising fees for scholastics?

Bill Goichberg: We're raising fees for all national tournaments.

Randy Bauer: Jim, we're not making any money on our tournaments. We can't afford it to be a loss center.

Jim Berry: I thought national tournaments were one of our profit makers.

Randy Bauer: Not when you look at the numbers.

Joe Nanna: We about break even.

Jim Berry : Then, let's raise the entry fees 10%

Randy Bauer: That's about what we're doing.

Bill Goichberg: No we're raising them more. We're raising them \$10.

Randy Bauer: Can we have an opinion from Mike Nietman bout the change?

Mike Nietman: It seems that Scholastics are bearing the greater burden. This is definitely focused on Scholastics.

Randy Bauer: Do you see the challenge and that it's necessary that we do it?

Mike Nietman: Yes.

Bill Goichberg: It's not actually focused on Scholastics. It's just that most of the entries that we get are Scholastic.

Randy Hough: Other than the U.S. Open.

Randy Bauer: We can't make the adjustment for the U.S. Open this year, because we've already announced the entry fee. But we'll do it for the following U.S. Open.

Bill Hall: Have we advertised anything for the K-12?

Pat Smith: No. We don't have the TLA for that yet.

Discussion about difference in budget sheets figures. Bill Hall, Joe Nanna, Randy Bauer.

Bill Goichberg: Did we agree that the \$620,000 becomes \$670,000? Tournament revenue total – that's \$670,000. Agreed?

Joe Nanna: Yes

Bill Hall: You have to be careful. The sheet that I handed out with the yellow on it does not have the Correspondence. You have to add \$14,400 revenue and \$9,600 expense.

Discussion

Bill Goichberg: So we have \$684,000

Randy Bauer: \$684,400 don't forget that \$400

Jim Berry: \$684,000 total tournament revenue and \$512,000 total tournament expense?

Bill Goichberg: OK.

Randy Bauer: Keep in mind that some of those tournaments have already been advertised. Right? U.S.Open, National Youth Action.

Bill Hall: National Youth Action is outsourced, so that wouldn't ....

Bill Goichberg: The only one that's been advertised is the U.S. Open.

Bill Hall: The ones that are outsourced, we're not sure how to necessarily handle that.

Randy Bauer: We'll have to have that as part of the negotiations going forward,

Bill Hall: Unless it translates to a more per-player-fee to the USCF benefit there's no use in forcing them to require that. I don't think you can translate an extra \$10 per player fee on something like that. National Youth Action is a bit of a struggling tournament, I don't think an increase...

Mike Nietman: I was just pointing out that the number might be a little high because you have the U.S. Open at \$82,000 and you're not going to get...

Randy Bauer: What we did, Mike, was we went on a tournament by tournament basis for those that we could still impact for the coming year and made an approximation of what the increase would be. That's how we got up to the \$50,000.

Bill Hall: Spring Nationals we expect about 42 to 44. Then K12... It was a little bit of a conservative estimate.

Jim Berry: Why isn't there any revenue or expense for the 2009 Senior Open? Hasn't that already been held?

Bill Hall: 2009? No, it's going to be in Oklahoma, from what I hear tell.

Jim Berry: So then you're not going by fiscal year?

Bill Hall: We put no revenue, no expense, because we're not taking the entries. It's outsourced to somebody.

Jim Berry: I thought 2010 began June 1<sup>st</sup> of '09.

Bill Goichberg: It does. The Senior Open is there. It's June 1<sup>st</sup> of '09 to May of '10.

Bill Hall: It's in September, right?

Jim Berry: That would put it in 2010.

Bill Goichberg: That's what we're talking about.

Bill Hall: In this budget, we get no per player fee or anything like that, and we're not taking the entries. But we list it in there because it is a tournament that is going to be held. But we don't have any financial arrangements to have any revenue or expenses associated with it. It's mainly in there because historically sometimes we do run the Senior Open. The next year we are running it - every other year. We've got a contract for three of them every other year.

Man: I'd think you'd get the Senior Open every year.

Bill Hall: No, we try to outsource it. But, we've got a contract for every other year in Boca because we had a great deal offered, because with the economy bad and they'd just run the tournament there the previous year.

Man: So they're going to have '11, '13, and '15?

Bill Hall: '10, '12 and '14

Bill Goichberg: Alright, tournament revenue is off \$67,000. What about the tournament expense?

Bill Hall: Without the Correspondence of \$9,600, I had a total of \$511,800.

Bill Goichberg: OK, so with the Correspondence added you have \$521,400. So the revenue is down \$67,000 and the expense is down \$88,000, so we're ahead about \$21,000. We're ahead because of that \$50,000 and then \$29,000 being given back. Overall we're ahead about \$21,000 in tournaments. OK, so if we're ahead \$21,000 in tournaments, we're ahead \$10,000 in Chess

Life advertising, we can cut \$31,000 of the \$104,000- we got almost 1/3 of it. Maybe we can find some other things.

Here's another one- rating fees. The rating fees are projected at \$126,000. But this year after 11 months we were already at \$120,400. I think we can budget a little more. I don't think rating fees will decline. I think it's reasonable to project the same number. The trend has been up. We're at \$120,000 after 11 months so the total's probably going to be around \$132,000. We could budget another \$6,000 to \$7,000.

Randy Bauer: This is Laura Slay who is going to give us a discussion of marketing of the U.S. Championship.

Joe Nanna: We're going to revise by \$7,000

Discussion & agreement.

Bill Hall: Let's take a 5 minute break so she can get set up.

Bill Goichberg: OK

May 2009 USCF Executive Board Meeting- Saint Louis, MO – Minutes Open Session 2

Randy Bauer: Now Laura Slay with Slay and Associates, the company that's been doing the marketing for the U.S. Championship tournament is here to share with us some of the insights of what they've learned and what we can learn from their efforts. Also Laura had just previously mentioned a number of strategies of using volunteers and free resources used to attract attention to the U.S. Championship. So, Laura take it away.

Laura Slay: Thank you very much for inviting me here today. I'm very pleased to talk to you all. This has been one of the remarkable marketing communications and public relations activities I've been involved with for quite a while. It's been a real honor and pleasure to be involved. I'd like to start out by giving you a little background on the Chess Club and Scholastic Center of Saint Louis. As most of you know, we opened in July. We expected to have about 100 members by the end of the year, maybe 150. We ended up having 300 members by the end of the year. We now have, going into the championship, just about 600 members. Now we may have more than 700 members. We've added just about 100 members since the beginning of the Championship. So we've gained 100+ members just in the last week and a half. The Mission of the organization is to broaden the awareness of and participation in chess in the Saint Louis metropolitan area. The second mission of the organization, which is equally important, is to build up scholastic chess in the Saint Louis area as well. Especially in urban schools with underprivileged children that can really benefit from some of the things that could be taught – planning behaviors, critical thinking that can be taught playing chess. In that mission, we've created a very lovely destination for chess players to come. We've made it affordable for families to join. We are providing many tournaments through out the week, every week. We were very pleased to kick off the scholastic chess program in two Saint Louis schools - one in an elementary school, which is a feeder school for the second school, which is a middle school. Both are in Saint Louis city. Both have free and reduced lunch participation, which is about 98%, an indicator of poverty. Those programs are going very well. They are curriculum chess programs. They are not after school programs. So, they are being tested in those schools going forward. We plan to have a pretty aggressive growth rate for scholastic chess in the Saint Louis area. We're doing what we cant to grow that, at this point. We've taken on a lot, I think, as a young club. With the incredible generosity of Jeannie and Rex Sinquefield and the foundation, we were able to do a lot pretty quickly. It's become a much bigger project than many of us were thinking it might be, a year and a couple months ago when the idea first came to Rex and his Chief of Staff, Rachel Keller Brown, and some other very good chess players who live in the area.

So, now getting into the Championship. What I'm here today is to basically talk about the marketing and public relations strategy that we developed. What I think the most important thing I'd like to communicate is that in this time of transition and media transition, from traditional to non-traditional media. When I say non-traditional I mean not just web sites but blogs, and Twitter, and RSS feeds etcetera. It's very important to really understand the value of each, the limitations of each in the changing environment for each, and how they can really combine to create a very comprehensive, coordinated campaign, that can make any marketing plan much better than it could have been just a few years ago. A lot is being said about the dying of the traditional media industry. Print newspapers are closing up left and right around the country. They are still the most read news medium. So, we still have to pay attention to print. You cannot get exposure for the price, in some of the media buys that we did, to as many people as we got to - we reached through many other vehicles. What we gained through that is targeting our market. There is much more control over targeting our market right now with traditional mediums. We are starting to learn how to target our market through non-traditional media. We really tried to bring the two together.

We put an advertising budget together of about \$60,000, which is not a lot. That included creative, and we did quite a bit of creative. It also included, and we were able to slip in there some of the printing costs for some of our collateral materials that went along with the event. The development of the website was not in that budget.

So, basically through the use of new and traditional media, we were able to reach 152 countries coming to our website. We were able to judge that through Google Analytics. That's about 78% of the countries in the world logged onto our website to watch the games. That was just between the 7<sup>th</sup> and 15<sup>th</sup> of May. They were able to watch the competition live and a streaming commentary as well. All in all we had nearly 88,000 unique visitors to the website during that same 8 day timeframe. I think there were 52,000 unique visitors in 2006. Part of that you can say is that people are getting more used to going to the web. There are more people on the web. There are age groups that are coming onto the web and using it. It's just becoming, every month, year and day a much more used medium. Still, I think that is a significant increase.

We targeted in our advertising, and that's where I'd like to start. Using our paid media we targeted men and women from 35-64 with a household income, basically the Saint Louis metropolitan area, of \$75,000 plus. The universe defined by those demographics is about 380,000 people. Media behavior is one description of a demographic. That is – critical thinkers, they are more likely to be much more interested in news and local and national events. What we ended up going with was traditional print advertising for sure. We teamed up with Saint Louis University Museum of Art. They just so happened to have a Duchamp exhibition going on that focused on the art of chess and chess in art and how they have influenced each other through the years. That opened just before the chess championship opened. It was really kismet. It was serendipity. There's been a lot of serendipity.

Randy Bauer: Oh, I thought that was all....

Laura Slay: No, no, no. We wish we had that much time to plan ahead. For one, you know we got in pretty late. Especially for people who've never done anything like this before. So we tied in with the Marcel Duchamp, Saint Louis University Museum of Art advertising campaign. We ended up doing a shared advertising campaign with them. They normally do full-page ads in national media. We ended up through a sponsoring company – RKL Consulting, we were able to put some of our ads with theirs. They took ½ page. We took ½ page. Those were national art publications, and there were also several local publications. We also, just on our own, increased the frequency of those local publications. We had more impressions made. Then we discovered we could get an incredible rate from the Wall Street Journal, regional issue. A quarter page ad we ended up getting for \$2,400 for two insertions in one week. One was on a Wednesday. One was on a Saturday. That reached about 52,000 people. Actually it ended up about \$2,100 or \$2,200 the not for profit rate. They kept discounting it more and more for us. As you know ad revenues are down for newspapers. They were cutting deals and we were able to take advantage of those deals. My company has a Media Buyer, Nancy Ellsworth, who has been buying media for many years internationally and locally. She is like an actuary. She sharpens her pencil very sharp. She's incredible. So, Nancy was able to work out some really great deals for us, not only in the Wall Street Journal but in other print and on radio. We focused on the three-week campaign, which was really more like a 2 ½ week campaign reaching out to our demographic.



We did some web-based advertising on the local daily paper website. Then we did something, which I've never done before, we took advantage of the new technology in Saint Louis - these digital billboards, which even in the daytime really have a glow about them. Our advertising, creative advertising, was very impressive. I'm going to hold some up here. This was, if you can imagine this golden color being very light up from behind. It's digital. It glows and especially in the night it looks like a flying saucer. It's incredible. We two of those digital - we had 4 images. This was one - "Kingdoms Will Fall". "Lying, Sneaky Tactics" was another. We changed to four different creative messages. "Wicked Tricks" was another. And then "Ruthless Moves"- one of my favorites.

Randy Bauer: These were on digital billboards?

Laura Slat: On huge digital billboards along the highway. We were very excited about that. We got a heck of a deal on those buys too. We plan on looking into what we can do for the US Women's with that too and increase our exposure on those.

Discussion on suggested slogans. Laughter.

Laura Slay: What we ended up achieving with just that paid media campaign, and I've got to tell you, I'm not sure that includes everything because we did a couple other small things. But I'd say just under 1.5 million impressions is what we made. The total cost of that was under \$40,000. That doesn't include the creative. That's just the media buying.

I've been in Marketing, Advertising, PR for....a long time.

Bill Hall: How long did these run?

Laura Slay: The billboards were only up for one week and they got a lot... Our main highway is closed so those other two highways are getting even more increased traffic.

Randy Bauer: The demographics you're targeting must work. Because I was here last week and I heard on the radio a couple of...at least two times the radio ads. I fit into your demographics category.

Laura Slay: Yes you do. What station were you...we went on a classical station and we went on a very narrow market radio station KFTK, and we went on a local NPR station. Of course we had a lot of collateral materials. We did signage, which we put outside. We put sandwich board outside. We had a pocket card that people could just come in and put that in their pocket. It had creative on the front and the calendar of events on back. We did a lot of community outreach with the Science Center, with Metro, which is our mass transit system. We had a bunch of kids show up just before the event and we painted one of the busses that will be circulating around Saint Louis for a year. The sponsor paid for that. We did a simul with Jennifer Shahade at the Science Center. She played 26 people. That kind of goes over what we did with paid media and events.

Of course at the Duchamp exhibit, we did a couple of events there. We did a grand opening event. Some of these were private. Some we promoted through the press, depending what was appropriate.

The public relations activities were extensive. When you're advertising something as big as a U.S. Championship and your paid media budget is \$40,000, you're not really going to get where you need to be, just with that small of an investment. That could be one spot placed properly on the national level. So what we wanted to do was to reach out to as many media outlets as possible. Tried to be as efficient as we could. So we developed a media relations strategy and also a new media strategy. Our goal through all of our advertising and PR was to not only reach out to the chess world but we really want to stay true to our mission to broaden the awareness of and participation in chess in general. That's the easiest thing to do. What we get the most hits from is the chess world. That's a given. They're going to be interested anyway. You're kind of singing to the choir if you only put your energies there. You have to focus some energies there. It's appropriate to do so. But you have to have the resources, and many of them are just man-hours...people- at their laptops doing the work - pitching on a film and sending out press releases. We've had 4-5 people working almost full-time on it for a while. It takes a really large, coordinated effort to do all this. 537 media outlets are on our international media list for the Chess Club and Scholastic Center of Saint Louis. What was very effective was when the local AP picked up on the story. Within two days there were more than 100 media outlets that picked up on the story. It was written as a sports story. One thing I haven't talked about here is the messaging. We wanted to position chess as a real mental sport. We wanted it to be in the sport section. I think we were successful in doing that through AP and through how we pitched it to AP. Then she took it. She ran with it. That's when you get newspapers from HI to CT, FL to MN reporting on it in their sport sections, whether it's their online media presence or their printed presence.

Jim Berry: Question if I may. So AP picked it up first, then did that lead to USA Today?

Laura Slay: No, we pitched USA Today separately. USA Today has done 2-3 stories as did other newspapers. LA Chronicle did something that we pitched directly to them about a singer that opened about our grand opening. We pitched stories directly to regional media for each player...where their hometown is. We pitched all the national. But to tell you the truth we didn't have all the information we needed to start pitching the Today Show etc. We didn't have enough time to pitch the media that really needs a lot of advanced time. Had we had a year to plan, even 8 months to plan, I think we could have done a better job of getting on those shows. Stephen Colbert, The Colbert Report, was interested from the get go. As soon as they saw our press release they were interested. They wanted to interview Ray Robison. They're still going to do it, but they could not fit it in before the Championship. Stephen Colbert is a chess player. I don't know what exactly he's going to do with that.

Randy Bauer: That will be great. He's such a neat kid. An interview will be great for chess.

Laura Slay: He is darling and Colbert is so funny. So, the other thing we did was, and I'm very excited about this. Because we had so many human resources available at the Championship, people available there every day in the media center, we were able to do a lot of things on the fly

and get very creative and brainstorm about things. So that's where the videos came from. Because we didn't have media down there for interviewing the players, everyday when they came down, and the fact that there wasn't a live video feed going out, just a live audio feed.

Let me backtrack. We do have three gentlemen there taping for a documentary at the end of the Championship. It's going to be a beautiful documentary on the Championship. They are very creative. But their goal was not to stream live. Their goal was to create the documentary.

So, I had people from my video team there, so the players would – finish the game, come down, go into the commentary room, they'd be interviewed – asked questions etc. Then they'd come over to the media area and they're still doing this “sit down and be video taped” but in a much more casual style, much more YouTube video style for 2-3 minutes about the game, the chess club, Saint Louis, the neighborhood. All those things that they want to talk about. One has a T-shirt company, and in the first part of the video he has a shirt on. In the second part of the video he's taken the shirt off, under neath he has a t-shirt that has a rook circled. That's his T-shirt company. So he talks about that. We gave them opportunity to talk about whatever they want to talk about. When we realized that people would be interested in asking questions of some of their favorite players, we put an area on the website where they could ask questions – like “What's your favorite movie?” “What's your favorite chess movie?” “What's your favorite?”— what ever it might be. And that gave us this really nice sense of interaction.

So, we have those player interviews that we post. We edit, then post them by the next morning. We have a running stream of new videos that are only a couple of minutes long up on the homepage of the U.S. Championship.

Randy Bauer: They're also on YouTube aren't they?

Laura Slay: They're also on YouTube. Then when Randy Siquefield, who's doing the video taping (he's an award-winning film maker) for a much discounted price for his father. So when he saw what we were doing he decided to put together some more artsy videos, because what we're trying to do once again is expand out from our normal chess playing market and do things that are going to interest people outside that market. We were able to do that with the development of these videos. They're very artsy, time-elased videos. We have two up now and the third were working I'm not going to tell you about because it's so interesting and wonderful. I just want you to be surprised.

I'm not sure when it will be ready. There's an editing lab up the street they've been able to use. You know there've been a lot of resources brought into this that have been very helpful.

Just talk a little bit about the videos, more. There are thousands of people logging onto YouTube to watch these videos. I don't think those are just chess people. We have 15 videos in all that we've produced in the last week and a half.

We used Twitter. Are you familiar with Twitter? We have a chess club Twitter account and we have somebody there in the commentary room “tweeting”, as they say, what's happening as the games are progressing and as the players are coming down to do their commentary. Also we all

work for different companies, and have different groups of people following us around that we're all tweeting with what's going on – several thousand people in this network, that have nothing do with chess, that are getting regular updates.

We employ lots of search engine optimization and lots of search engine marketing tactics. This is a little running account. From May 8<sup>th</sup> to the 15<sup>th</sup>, just under 250 posts were made from 40 different web based sources. This doesn't include chess forums or daily chess news publications. This is just all kinds of blogs and online media. Sources such as Chess.com have garnered 6,500 + reads to our press releases. Every night we put up our press releases, as news happens, on our website. Then 30 minutes later they're released internationally. So our website always gets the first placement.

That's about it I guess. Do any of you have questions? I did bring a binder that kind of shows our creative and some of the other editorial that we've got.

Then the last thing we did was – three companies that are very involved with Jeannie and Rex Sinquefield – mine and two others were taking two ads – one in today's and one in yesterday's Wall Street Journal. A quarter page ad, we got at that same rate, and it's just congratulating them on a great U.S. Championship.

Randy Bauer: Strategic placement...next to the crossword puzzle...

Laura Slay: and in my favorite area the weekend Journal under the wine section.

Randy Bauer: The materials have been really impressive...the stuff that's over at the Saint Louis Chess Center...they're all just very well done. Was that part of the budget too? So you have a residual product that they're going to be able to use for a lot of other purposes.

Laura Slay: Yes, Donna Haggerty Payne, is my creative director. She has done all of the creative for the chess club except for the logo. The logo was developed by the interior design architectural firm. Then we took over for the marketing, communications point. We've done all of the radio, print and collateral material, and everything else.

Randy Bauer: It sounds like the biggest thing, if you could have done it differently, is that you'd have just gotten started sooner.

Laura Slay: A lot earlier, absolutely. I think we could have done a lot more. I can't say enough about the generosity of the people that work with the Sinquefields, and the level of commitment that they were willing to put in to make this happen, and to make it happen well. Jeannie and Rex do a lot for the state of MO. They have done a lot for the city. They are involved in a lot of philanthropic things. There are a lot of folks that support them in what they do. So my company and some other companies that work with the Sinquefields devoted a lot of our staff time to making this very successful. It would be very difficult for a small non-profit, I think, because of the number of man-hours. It would be pretty difficult to pull off the same kind of attention. Part of that too, is now we have one under our belts, it will take us a lot less time to do the second. You know - to do the US Women's Championship. We learned a lot. ICC coming in as a

sponsor was very helpful. John Henderson has been incredibly helpful. He's sitting right next to me helping write press releases and analyze things -that kind of chess knowledge, I don't have and my firm doesn't have - has been very helpful. Jennifer Shahade coming in as our Championship chair has just been incredibly helpful. It's been a really great team of people. Everyone has worked together very well. We wanted to make it very exciting, very interesting and a very successful Championship for the players, for chess, the Sinquefelds, for Saint Louis, the US Chess Federation, everybody.

Joe Nanna: Who's going to write the article about this Championship? Do you know?

Bill Hall: I'm not sure. Daniel...

Joe Nanna: Whoever it is needs to sit down with Laura for a long time.

Bill Hall: Absolutely.

Randy Bauer: I think we need to coordinate the message to align the message with you all have....as much as possible. We need to keep this as a collaborative process.

Laura Slay: I'd be happy to talk to whoever's going to write that.

Randy Bauer: Having been here for the opening ceremony and for the Duchamp, everything's just been first class. Everything's come off like clockwork. The opening ceremony the Lt. Governor was there, the Mayor was there. They both spoke. Several of the Aldermen including the President of the Board of Aldermen for Saint Louis... Everything has just been first class.

Laura Slay: A lot of that is because of our event planner that we hired, Joy Bray, from Chi-Chi LLC. She's the event planner for the chess club and she is incredible. She takes care of every detail. She has incredible taste. She has incredible eye. She knows how things should run smoothly. She doesn't let things drop through the cracks.

Then we've had several committees. As you know pulling off something like this takes a lot of people, takes a lot of hours, takes a lot of commitment. We had a good team.

Bill Goichberg: How do you get the media to cover a championship? Bribe them? Follow up with calls? Email them? Call them over and over? When they're ignoring you.

Laura Slay: Show up at their house? Take them to dinner? No, when you're talking about international press, it takes a lot of different approaches. Every media person, if you're talking about direct media relations, likes to be dealt with in a particular way. So it's really important to have a craft media relations team that understands and has a feel for what that media person needs....knows media folks at the Oprah Winfrey show, and NBC and that knows producers, and knows all of these folks. It's all about contacts. Building relationships with the press is incredibly important and that takes seasoned PR people to do, because it's what they do every day. In addition to that you have to understand the media, and you have to understand how to

get the message out through that. It's a coordinated campaign using traditional relations and new media tactics.

Bill Goichberg: What do you think the Chess Federation should do if it wants something publicized? We don't have the money...

Laura Slay: Like any organization or business, I think it is important for the Board to start thinking about Marketing and PR as a part of the budget. So, just as you have phone bills to keep operating, and you have staff doing human resources issues to keep operating, I think if you don't value Marketing and PR, then it's not going to happen.

Bill Goichberg: The problem we've had with that, is that at times, going back through the years, we have spent money on it. And that has always resulted in, some point, maybe 6 months or a year after that, then we have budget problems and here we've been spending this money on publicity, we didn't get any members as a result, this has to go. That's always been the outcome. If we had the money to stick with it, maybe over a period of years we could say this has been beneficial.

Bill Hall: Maybe we need to make sure it's effective. We can budget for something, but if it's ineffective then it needs to be removed. Spending money that shows some results, it's not just budgeting for it -it's pursuing the right thing.

Randy Bauer: I think it's also using professionals.

Bill Hall: We always try doing it on the cheap.

Bill Goichberg: Well, not always. Once we hired a professional public relations firm, for a whole year, maybe 15 years ago. Paid them \$100,000. After the year was up, the Delegates said "What in the world did we get for our money?" That was the end of that.

Laura Slay: I think all of you are right in everything that you've said. You have to know that what you're marketing, what you're pitching, what you're trying to put out there is something that people are interested in. So your message is something that's going to break through the clutter. You have to make sure that you're investing enough, and that you do it for long enough. There are a lot of reality checks that come in there for an organization. I think the thing with the chess club is that we had a lot going for us, and it was like a perfect storm. We had a beautiful facility. We had a lot of interest in what we were doing anyway. From that perspective, there were interesting things that were happening, with interesting players, interesting stories. We had serious commitment through paid and earned media. We were just undaunted in our efforts. We just didn't stop. That would have been incredibly expensive if that had to be paid for directly.

I think it's important for an organization not to think that marketing and PR is going to save them from maybe some things that are happening internally that are keeping them from advancing in the way they want to advance. So sometimes, and I can't tell you how many times I've heard this "It's all going to be difficult. It's really going to be hard. It's all up to the PR."

You want to make sure that your organization is offering something that people want...that your demographic wants. You're offering it in a way that people respect. You're offering at a price they can afford. You're offering it so it's easily accessible. You're doing something new and exciting. You're creating an organization that people really want to be a part of. You communicate in a way that's effective. It seems to me that you're bound to be more effective that way.

But it does take a lot of coordinated effort. To put it all on PR & Marketing can be an unfair expectation. (In defense of my industry) Thank you very much.

May 2009 USCF Executive Board Meeting – Saint Louis, MO – Open Session 3

Bill Goichberg: Rating Fees.

Rating fees look like they're going to wind up around \$133,000 this year. The budget is \$7,000 less next year. The trend is decidedly up for rating fees. Is suggest we budget it the same as this year, that we add \$7,000.

Randy Bauer & Bill Hall: We're adding \$7,000 to rating fees.

Bill Goichberg: Then FIDE fees.

We're recommending from the financial meeting raising FIDE fees so they cover more of the costs.

Jim Berry: I thought they did cover costs.

Bill Goichberg: They don't cover costs. They just come closer than they used to.

Jim Berry: But it's still going to be uniform? No.

Randy Hough: So you're going to pay more for the World Open?

Bill Goichberg: The cost is 1 Euro per player.

Randy Bauer: We're charging \$1 which is less than a Euro.

Bill Goichberg: We're going to charge \$1.50.

Randy Hough: One person suggested we use a sliding scale.

Bill Goichberg: We're not using a sliding scale. With the \$1.50 it will cover cost.

Randy Hough: What about the Amateur Team?

Bill Goichberg: The Amateur Team is our own tournament and we can negotiate something with New Jersey.

Randy Hough: There are 3 other Amateur Teams. A lot of players get their first leg toward a FIDE rating.

Randy Bauer: They're paying 60 right.

Bill Goichberg: What we thought was instead of the 60, it would be \$1.50 per player with a minimum of 75.

Randy Hough: Even for a little round robin?

Bill Goichberg: No, round robins would be more, because they're very expensive. They would be based on the actual cost. Can Nolan program that in?

Bill Hall: Yes he can. We have to have a 10% or something like that extra because fluctuations in the Euro, we can't program in, because it will occur at a certain time and we have to collect our fees at a certain time, but we may not get billed for 5 or 6 months for that.



Randy Hough: So you're saying 75 minimum and they could go as high as, I don't know. What do you have in the World Open? You have two sections in the World Open right that are FIDE rated?

Bill Goichberg: Over 100, so it would be like \$150 to \$200. But the only tournaments that are going to be really expensive are the U.S. Open, which we don't worry about because it's our own tournament, and the Amateur Team East, where it's half our tournament. We'll figure out something. Based on that we decided we've decided to add \$3,000. Now I see the number here is \$14,040 but the number collected this year was \$22,007 with one month left. So that's probably \$2400. So, \$2,400 plus \$3,000 is \$5,400. So, I would add \$4,000 to this \$14,040.

Randy Bauer: So??

Bill Goichberg: So, we're doing a little bit here and there.

Bill Hall: Another thing here. I don't think you put in the \$7,500 we received from the e-mail lists. That would have to be in mailing lists.

Bill Goichberg: Yes, mailing lists, instead of \$7,680 should be \$15,280.

Randy Hough: Do we have any basis other than speculation, for determining what that will actually generate? Well Bill is the biggest customer.

Bill Goichberg: Well, it's \$7,500 and I said I would spend that myself, but it's not all...

Randy Hough: You guys are forcing me to be the devil's advocate here.. Ok on the Euro rate fluctuates unfavorably, then that's a bigger hit on the expense side.

Bill Hall: That's why we have the 10% built in. If it goes up then we're covered. I mean if it's a massive change what can you do there? We'll have to eat it.

Randy Hough: Well, Bill is the biggest customer. There are a lot of nitpickers out there who will use it very little, but they'll still try to make a case that they're being treated unfairly.

Bill Goichberg: Why should they say they're being treated unfairly?

Randy Hough: Because they're paying more. We just changed it to 60, what a year ago?

Bill Goichberg: What do you mean? The FIDE?

Randy Hough: Yes, I'm back on the FIDE.

Bill Goichberg: Well, we could leave it at a 60 minimum if you think there are going to be complaints about that.

Randy Hough: I strongly suggest that.

Bill Goichberg: OK, let's leave it at the 60 minimum.

Bill Hall: We're going to have to write something about that, Bill

Randy Bauer: You know we just have to go back on any of these things, if people complain about an increase and say...

Randy Hough: It's not so much that. And this is going to happen on the dues increase also. You change it every year. I can't keep track of it.

Bill Goichberg: That's why we're only doing one very simple little thing on the dues.

Randy Hough: That's true.

Randy Bauer: I would say to anybody that wants to make that argument - that budgeting best practice is to make regular, small changes to your fee structures to keep pace with inflation.

Randy Hough: I know, but like in government it's just one entity collecting the money. Here it's the affiliates collecting the money.

Bill Goichberg: Well anyway. Mailing lists plus 7 for the e-mailings. It could easily be more. We hope. That's a conservative number.

Randy Bauer: You know the charge for postage just went up again.

Bill Goichberg: And I suggest that the charge be \$0.07 each. If anyone asks why \$0.07 not \$0.05, the answer is the service.

Randy Bauer: What percentage of members do we have email addresses on?

Bill Hall: I think it's 45%.

Bill Goichberg: OK now lets go over to Governance. FIDE Governance. \$15,580 this year, and I don't know if there's any more in May, probably not. Maybe there is. Do we pay rating fees? Is that governance? We pay that every month?

Bill Hall: We get billed twice a year. I think we just paid our second one this fiscal year.

Bill Goichberg: All right, maybe then I'm a bit concerned. The reason this is so low is that we didn't get billed.

Bill Hall: No. The numbers I got from Jerry is \$20,000 estimate on that.

Bill Goichberg: All right so, this \$29,200 seems very unrealistic. I don't know where that came from.

Bill Hall: Unless Joe was attributing something else to it. Changing something to that category, which I don't...I think what happened there, Bill is I sent him a e-mail and I said two things. One, I said you have to add something to a category and this category should be \$20,000. He may have tried to budget \$9,000 and had to add the \$20,000.

Bill Goichberg: OK then, we make this \$19,000?

Bill Hall: I would put it at \$20,000.

Bill Goichberg: All right so \$20,000 means subtract 9 from expenses. OK next, right under that, we have election expense. If election expense is about \$4,000 this year why is it going up to \$8,000?

Bill Hall: Delegate years might be a little more. But we've still got significant...Most of the expenses for the election are coming this month. All the cover wraps and everything are this month. The counting won't be until next year. All the mailing is still coming. All the printing is still coming.

Bill Goichberg: That's this year's expense. It's not going to be \$8,000 is it?

Bill Hall: Yes.

Bill Goichberg: Really. I thought the elections were more like \$4,000 maybe \$5,000.

Bill Hall: No. I think it will be \$7,000 anyway.

Randy Hough: We had a new wrap this year for the non-Chess Life members and that with all the candidate statements, so that's an increased expense.

Bill Hall: We increased the size of the TLA Newsletter to include a run of the candidate statements.

Randy Hough: We have to. We have to give those people...

Bill Goichberg: For all three April, May and June?

Randy Hough: Yes. They're entitled to the same information that Chess Life readers get.

Bill Goichberg: All right, I guess we'd better leave this. OK, looks like the cost of telephone is going up.

Bill Hall: That's probably over budgeted just slightly.

Randy Bauer: There you go Bill.

Bill Goichberg: \$4,000?

Bill Hall: You could probably squeeze \$4,000 out of it. You need to expect it to go up. The use of our 1-800 number, we've weaned everybody off the use of that number. We don't promote it at all.

Randy Bauer: Wait, we're paying for an 800 number we don't use?

Bill Hall: There's no real charge to having an 800 number. You pay by the usage. It looks like we'll come in at about \$25,000 this year on that. We'd budgeted last year \$30,000 on that.

Bill Goichberg: OK I don't like this one – Per Diem Expenses. Get rid of that category. Call it something else.

Bill Hall: It is not for the Executive Board. There's no Executive Board per diem. OK we need to make an adjustment in the other direction on that.

Randy Bauer: Which line?

Bill Hall: It's several different lines Joe's got here on administrative. He didn't budget anything for airfare expense. We didn't do anything in airfare expense only because he put it in miscellaneous travel. So we have a total of about \$10,000 there that we had real expenses this time, and he's got budgeted here a little over \$3,000. We've really got to... We will spend less. I've kind of put a moratorium on travel, but we're still going to have to have some travel expense.

Bill Goichberg: Where is this now?

Bill Hall: Airfare through miscellaneous travel. Those 5 categories there, I think we need to add \$4,000 back in.

Bill Goichberg: OK Airfare through miscellaneous travel.

Bill Hall: I think we need to add \$4,000 back in there, because there's some travel that just cannot be cut out.

Bill Goichberg: All right but why is travel more than last year?

Bill Hall: It's not. If you look we spent \$5,900 in miscellaneous travel last year.

Bill Goichberg: All right if all 5 put together this year was about \$8,500. What was it going to be next year? Oh, I see what you mean. It doesn't show. It wasn't budgeted.

Bill Hall: So we need to add about \$4,000 total.

Bill Goichberg: Looks like the cost of water and electricity is going up.

Bill Hall: Energy expenses have all gone up.

Randy Bauer: Why did rent equipment go down?

Bill Hall: We finished our lease purchase of the telephone system.

Bill Goichberg: The increase in insurance? I would imagine is the result of these multiple lawsuits.

Bill Hall: That's not just general liability insurance. It's also our Directors and Officers.

Jim Berry: Credit card charges. You can't put in any other category?

Randy Bauer: Isn't that what they charge when we ... Credit card charges is expense generating income.

Bill Hall: Right, it's expense due to income - cost of doing business basically. That could drop if revenues drop like we've projected. 70-75% of everything we take in is on credit cards.

Randy Bauer: What is the usual 1-2%, something in that range?

Bill Hall: Mostly 2.25%, something like that.

Randy Bauer: If you took what we're looking at for a revenue decline, divided that by .75% then multiplied that by .02% you're not talking about a lot of money.

Bill Hall: Right

Randy Hough: The people I know who only do a bare fraction of what the USCF does. They pay 2.9% plus \$0.30 per transaction.

Bill Hall: Some of that depends on the credit card, too. Like American Express is a lot more. Not that many people use it, either.

Randy Bauer: You know at the US Championship, they would not take American Express.

Bill Goichberg: I think it's good business to take American Express, even though...

Bill Hall: It really wouldn't save us much...

Randy Hough: I understand, I understand.

Randy Bauer: Do we use credit cards internally?

Bill Hall: No, the only thing we have is 4 or 5 debit cards on an account that we keep a very controlled balance in.

Randy Bauer: How much do we use that? What is the dollar volume?

Bill Hall: Typically \$3,000. However, when we have big tournaments we'll put more in it, because we do have some checks we have to pay the TD's out of it.

Randy Bauer: What we do with a lot of our clients, that have a fair amount of volume, they use cards for, is use a procurement card, because you get a rebate from the card issuer of P cards

Bill Hall: Is it backed by Visa, or?

Randy Bauer: Yes, yes. Right, I'm carrying my corporate procurement card. It's a MasterCard.

Bill Hall: How do we get a Visa card without somebody having to put up their social for it? The Federation had a situation where somebody put up their social for that several years ago and they got in a big mess.

Randy Bauer: Well, I don't want to go into all the details, but I think we should investigate it. I'd be happy to put you in touch with the P card vendors that we use, because there is a rebate.

Randy Hough: That's another advantage of getting 501(c)3. With that you wouldn't have to put up a social.

Bill Hall: 501(c)4 really shouldn't either.

Randy Bauer: OK, I'll put that on Action Items. I'll be happy for you and I to discuss that. Like everything else, with a P card there are varying terms. Depends on how quickly you're going to make payments on it, but it's usually 2-3% rebate.

Bill Hall: I'm up for anything like that. Anything...

Bill Goichberg: OK you have bad debts going from 0 to 0. What about the allowance for bad debts?

Bill Hall: What we're dealing with here is cash. He makes accrual adjustments.

Bill Goichberg: All right, so, if we're owed money, and we may or may not collect it all. How does that fit in to this?

Bill Hall: That's on a P&L thing. That would be a P&L adjustment. If we have something that we have booked in and we end up having a bad debt reserve against it or we have to write some off as a bad debt that would play against the bottom line on the P&L statement. Then there's one main debtor that we have that we're going into arbitration with. We may or may not have some adjustment here. We had a bad debt reserve associated with that on last year's financials so we have that already accounted for. If there's additional that would hit next year's bottom line. What was the bad debt reserve, Pat? \$20,000? We essentially have \$12,000 in the bank that we already said... We've banked that against the future.

Bill Goichberg: All right. Let's add everything up and see how far away we are.

Randy Bauer: You want to balance the budget, you better cross your fingers and hope we have successful mediation. And there's no guarantees.

Bill Goichberg: So we have \$58,000. That covers a little more than half of the \$104,000. So there's still \$46,000 left. \$46,000 that would be another 4 months of furloughs, but we don't want to use up the furloughs. Let's keep that in reserve. The \$46,000 could also be decreased by one employee plus one month of furlough, something like that.

Bill Hall: If we start talking about that, we need to wait til we go into closed session. Do we have a Personnel on here? It's tomorrow.

Bill Goichberg: We could do it today, because it does have a bearing on the budget. We're getting close enough that if we could find another \$10-15,000 here it would have a real bearing on things, but I don't know. Anybody find anything else here?

Discussion about cost of items for Delegates' Packets. Agreed no vinyl portfolio, no lapel pin, no custom printed ink pen, possibly no note pad.

Bill Goichberg: Another thing under U.S. Open governance, the hotel in Indianapolis is giving us a much better price on the luncheon than in Dallas. All right, U.S. Open governance you're saying what?

Bill Hall: \$4,000

Bill Goichberg: OK, \$4,000, and \$1000 on election expense, so we've got it down to \$41,000.

Bill Hall: The travel probably has to go up some, maybe not. Hopefully we'll stay the same. We have been doing very well on the governance expenses. I think the Board deserves some kudos for that.

Bill Goichberg: We've got benefactor memberships. Should we just assume nobody else is going to buy them? Or could we sell about 7?

Bill Hall: Remember anything that you come up with there, only half of it goes to operations. It's deferred. Basically the part that goes to LMA gets deferred like regular Life Memberships.

Bill Goichberg: True, but the other half doesn't get deferred. It's hard to guess but it's not going to be 0. Unruh is talking about getting one.

Randy Bauer: Put down 5 of them. You've got to have stretch goals, sometimes. How are we going to get any if we don't think we're going to get any?

Bill Goichberg: We could just leave the number the same.

Bill Hall: I think we should leave the number the same. We're setting on 21,250. We're not selling many Life Memberships right now and we're budgeted 27 on that category.

Bill Goichberg: Donations \$15,000 for the whole year. Is it really going to be that low?

Bill Hall: I don't know where he's putting those, because we got a lot more, substantially more Olympiad donations.

Randy Bauer: Has the Legal Defense Fund got any?

Bill Hall: We have got a few of those. It's not separated out. I'm not sure where he's putting those.

Bill Goichberg: Oh here's one, looks like magazine contributor fees are going up quite a bit. Was that planned?

Bill Hall: I'd probably have to call Daniel. Daniel's supposed to have his cell phone with him this weekend. Let's see expenses, magazine expenses. It's not going up that much. We're actually budgeting less than last year.

Bill Goichberg: I don't care what be budgeted last year. I'm looking at what we paid. So, we paid \$85,000 for 11 months. That might be \$93,000. It looks like that might be a \$10,000 increase there. Just don't do that increase. That would help nicely.

Bill Hall: OK, there's not an Olympiad, which would have caused additional there. Well we've got to spread the wealth around so I'll go along with the \$10,000 cut on that.

Bill Goichberg: Just leave it the same as this year. It's not a cut. Printing and mailing expenses, apparently were greatly under estimated.

Randy Hough: Postage. Postage went up and it just went up again.

Bill Goichberg: Printing wasn't that bad, but mailing.

Bill Hall: We were over on mailing, but you have to group in the Newsletter expenses too. He didn't break the newsletter expenses out from the magazine. We were showing zero for the expenses for the newsletter and that was a non-zero.

Bill Goichberg: On the newsletter. I guess the printing doesn't cost much, but I was wondering why they have to use glossy paper.

Bill Hall: That's not much of a savings. I can have Daniel run the numbers. He ran them before we started and it wasn't much. You also have, especially with the kid's one, strong enough paper. There's limp test that it has to be rigid enough or otherwise you have to fold it and tab it.

Bill Goichberg: We're folding it anyway.

Bill Hall: The kid one? No.



Bill Goichberg: Not the kid one the TLA Newsletter. That's folded. I get that – it's folded.

Bill Hall: Is it glossy?

Bill Goichberg: Yes it's glossy and it's folded in half. I was wondering if couldn't be like a newspaper.

Bill Hall: Newspaper doesn't fold up very well. I'll have him double check those expenses. I had him check like 2 or 3 different paper stocks and got pricing. It really wasn't much of an expense. I remember thinking –“that's a no-brainer go with the glossy”. But it's certainly worth double-checking again. Paper prices change.

Bill Goichberg: I see that newsstand prices were \$12,000 and are now 0. Does that mean we're not using the service any more?

Bill Hall: No, we're still using it.

Bill Goichberg: Chess Life consulting is 0. Newsstand is 0. I'm afraid there might be extra expenses not showing here.

Bill Hall: Let's see if revenue – newsstand revenue is showing any revenue. Yes, he's showing newsstand revenue, a little too much newsstand revenue. No actually if it is it may be only \$1,000 too much. That needs to go to \$13,000. We're back to \$50,000.

Bill Goichberg: We're at \$44,000. Plus that \$13,000 we're back to \$44,000. What's catalogue mailing publications? That's more than \$2,400.

Bill Hall: That's mailing by the office. The other goes in Chess Life. That should be less with the new Quebecor contract. They should have that built in. You notice that the mailing expenses are dropping. That's also related to the shifting trend towards the online.

Bill Goichberg: All right, well the promotional renewals and promotions, is that all mailing expense? Is that all renewals?

Bill Hall: No. That also would be membership cards. Printing the membership cards.

Bill Goichberg: So, printing the membership cards would be around \$5,000?

Bill Hall: They are about \$0.05 a piece. We have filler on the back, but we'll probably get those paid for. Not the mailing part.

Bill Goichberg: Maybe we could take off the \$5,400?

Bill Hall: That's part of our contingency. Remember one part was – if we can, get our membership cards paid for...

Bill Goichberg: Well I'm just talking the renewal notices now. I mean those, we agree should be \$30,000.

Bill Hall: Right. The printing of the cards...

Bill Goichberg: The printing of the cards still needs to stay in there. So, this number is right.

Bill Hall: That would be printing over 100,000 cards.

Bill Goichberg: All right. So, going down to personnel. Payroll is about the same. Why is payroll the same if we've got the furloughs? Let's look at this again.

Bill Hall: Remember, this is a three-payroll month.

Bill Goichberg: Oh, OK. Fringe benefits are up quite a bit.

Bill Hall: We had an 11% increase in benefit premiums.

Bill Goichberg: Does the furlough affect fringe benefits? Is that going to go down?

Bill Hall: I don't think so. No, no. He did do 80% on that category.

Bill Goichberg: It doesn't look like it. They're very high.

Bill Hall: It's going to end up a little less than what we're budgeting, but not a whole lot less. But then you have an 11% increase. Think about it Bill, either you have a policy or you don't. For a week layoff you don't have interruptions in the policy. So, it would just have to continue. This is 100% of what it has been plus an 11% increase.

Bill Goichberg: What about payroll taxes?

Bill Hall: That would be affected.

Bill Goichberg: Well that's not really going up at all because of the 3 pay periods. That's 3 out of 52.....

Bill Hall: You can see it's slightly less than we budgeted last year.

Bill Goichberg: No, that's 5 out of 52. It's a little less than 10%. It is going up a few thousand when it should be going down.

Randy Bauer: Where are we at?

Bill Goichberg: We're at payroll taxes. They might be about \$4,000 too much.

Jim Berry: How much more do we need to cut?

Bill Goichberg: \$44,000. We're doing \$4,000 payroll taxes. That gets us to \$40,000.

Bill Hall: Here's one where we could find some savings – repairs and maintenance. Part of that repairs and maintenance was the shelving we did. That's why it was over budget last year. We can't throw our infrastructure completely under the bus, but that \$24,000 budgeted. We can get by with \$20,000. We could cut \$4,000 off that.

Bill Goichberg: The budget is about \$4,000 more than last year.

Bill Hall: You've got to mow, although we're going to have some savings. I would say we could knock \$5,000 off of there.

Randy Bauer: OK. Now we're down to \$35,000 short.

Bill Goichberg: Getting back to where I was before. I only see \$1,500 in donations.

Bill Hall: I don't see where he's reporting it.

Bill Goichberg: What has it been in past years? It can't be anything that tiny.

Bill Hall: It's not huge, but it's definitely more than \$1,500. I think I know what happened, but it's not for open session.

Bill Goichberg: Can we see what donations have been in the past. This \$2,298, but that can't be right. I gave about 2/3 of that my self.

Bill Hall: We had at least \$6-7,000 from the Olympiad alone. That's not reported in the Olympiad either.

Bill Goichberg: Isn't there a check-off when you pay your membership where you can donate a little bit?

Bill Hall: Yes. We probably average 1-2 per day. Usually pretty small amounts, but every little bit helps. \$6-7,000 a year at least in donations.

Randy Hough: These questions need to be asked when the monthly financials come out, and Joe and Bill can get the answers there in Crossville, not today when you can't get the answers.

Bill Goichberg: It is true, that sitting around and having these here and having everybody here, it's much easier to challenge them.

Randy Hough: But they probably are reflected somewhere on there. So if you can add to something but you really need to subtract from something else. Were they we're actually credited?

Bill Hall: I think I figured out where they are. The Olympiad moneys were sent to Chess Trust, and I don't believe we've been able to recoup those as of yet.

Randy Bauer: Why is that, Bill?

Bill Hall: I'm not quite sure. Maybe we haven't been diligent enough in follow-up.

Jim Berry: My brother assigned \$10,000 from the Trust to the Olympiad.

Randy Hough: You mean he gave \$10,000 to the Olympiad through the Trust?

Jim Berry: He gave the money to the Trust and said spend it on the Olympiad.

Randy Hough: As you know, technically, a 501(c)3 cannot accept earmarked donations. That's the position I've always heard.

Bill Hall: No. They can accept earmarked. The only thing they can't do is it has to be for expenses. It can't be for honoraria.

Jim Berry: So, we paid Olympiad expenses and expected to get it back from the Trust? Some of it?

Bill Hall: Yes.

Jim Berry: Did you submit them a bill?

Bill Hall: I don't know how much off the top of my head. Joe has definitely. We sent them a check and were supposed to get it back. We collected donations through our website that were targeted to the Olympiad. We can't....,

Jim Berry: That's not my point. My brother gave the trust money, a year or two ago. They said to him "do you want some of this to go to the Olympiad?" My brother said yes I want the money to go to the Olympiad. The Olympiad said "Thank you". Khodarkovsky said "Thank you, thank you". So nothing?

Bill Hall: No. We haven't got any of that.

Randy Hough: Nothing? So the money never went to USCF at all?

Bill Hall: No.

Randy Hough: So, we don't even know about it until the Trust gives it to us.

Bill Hall: No.

Jim Berry: Khodarkovsky knows about it.

Bill Hall: He doesn't have anything to do with this.

Bill Goichberg: I went on the USCF website and gave \$500 to the Olympiad. Never heard anything. I don't know what happened.

Bill Hall: It was sent on to Chess Trust.

Randy Hough: But we know about that.

Bill Hall: It was sent to Chess Trust and we have a receipt for that.

Jim Berry: Wait a minute. Chess Trust is accumulating all this money...

Bill Hall: Counting how much they give us back in free memberships and stuff like that, we get very, very little money from Chess Trust.

Bill Goichberg: Maybe it's a question of delay.

Bill Hall: We'll get the stuff we sent them back. I'm sure.

Jim Berry: Is there a problem?

Bill Hall: We just need to have some discussions with Chess Trust. There are some issues that need to be resolved. Most of the Trustees, I'm sure, are aware of the issues.

Jim Berry: They're good people, no doubt. But if my brother says "I want this money to go to the Olympiad", and Harold Winston says "OK" and nothing happens...

Bill Goichberg: Your brother should write to the Trust and say how come USCF doesn't know anything about receiving this money?

Bill Hall: The people on the Trust are good people that try to do good things. There are just some inefficiencies related not to the people sitting on the Trust. That's about as far as we should go in open session.

Jim Berry: If we become 501(c)3

Bill Hall: That would solve that problem.

Bill Goichberg: That would mean Frank would give the money to the USCF and it would be tax deductible.

All right, well, I don't know what to put down for donations. Do we assume that this problem will continue so that we never get.....

Bill Hall: No, no. We will get those Olympiad donations back. That's why they're not showing up there. Because they're not showing up there, Joe didn't budget for them.

Bill Goichberg: All right. For the next year, there is no Olympiad, however we have started an Olympiad fund. Starting to be publicized, and presumably some donations will come in, and miscellaneous other donations will come in. I think \$1,500 is completely wrong.

Bill Hall: You could go \$6,000 there.

Bill Goichberg: That's really not even enough.

Bill Hall: We're showing over \$2,000 with all of that stuff that we sent. I wouldn't go wild but you could go \$7,000. That's a \$5,500 increase over what he budgeted there. Remember it's a tough economy right now.

Bill Goichberg: We're down to \$29,500 now.

Jim Berry: Where'd we start?

Bill Goichberg: We started at \$104,000.

Discussion about Health and Benefit fund as limited asset versus Life Membership fund which is a deferred asset. Health and Benefit fund has \$107,000 balance.

Bill Goichberg: OK. This is going in the wrong direction, but we have postage going down. Is there some plan for that?

Randy Hough: The reason it's going down from the previous year is less people are getting Chess Life.

Bill Hall: No. That's a separate category. I think that will have to leave that as one of the questions I call Joe about tonight.

Bill Goichberg: Well, it looks like we're ending up about \$30,000. If you could figure out how to have one employee less, then... We do have the additional furloughs in reserve.

All right, so, we'll leave the budget for now. I guess tentatively you have to cut an employee or find some other solution.

Jim Berry: So, one of your budget solutions is to cut back 10% of the working hours of your employees?

Bill Goichberg: 20% for four months, then we in reserve 8 more months in case of high legal fees.

Randy Hough: That's one way of accomplishing the 20%. There are others.

Jim Berry: Is that like all Fridays are closed, or something?

Bill Hall: No, you can't do it that way. You can furlough, layoff, best if you lay everybody off for a week.

Jim Berry: So, the office shuts down for a week?

Bill Hall: No, you rotate it. And, the first week they can't draw unemployment, but the second week that you do that, the second month that occurs, they can draw unemployment.

Randy Hough: Then there goes our savings, right?

Bill Hall: No. We don't pay their unemployment, Unemployment does.

Randy Hough: Doesn't our state premium go up if we lay people off that way?

Bill Hal: Well, down the road....

Randy Hough: There we go. Kicking the can down the road again.

Randy Bauer: Do you have a better idea right now?

Randy Hough: I don't. I rely on you financial gurus.

Randy Bauer: Let's face it. Businesses pay unemployment and expect this exact set of circumstances to occur.

Bill Hall: This is what all the industries are doing right now.

Discussion on furlough/layoffs: Impact on workforce and the possibility of losing employees as a result. Attrition. Management will continue to work on this area and meet the budgeted numbers.

Bill Hall: All right. So, I guess we'll leave the budget for now.

Randy Bauer: We need to talk about making changes to our privacy policy language. We talked a little about this yesterday. I said I would take a look at the language and the change that would be necessary to make. The privacy policy right now says that USCF will not provide email addresses of members to chess promoters or vendors. It also has a section that says it's not likely that we would give them to people outside of the chess world. I changed the section about not providing right now to read that we are going to allow it, but they have an opt-out methodology.

General Discussion: While waiting for print out of privacy policy changes, the Board discussed current play at the US Championship, and the possible outcomes.

Randy Bauer: What I did, and what Pat will be passing out, is I did this in revision mode so you'll be able to see the change that was made from the current, which is in strike through, to the proposed. In the third paragraph it currently reads "the USCF does not currently make available email addresses of its members to chess promoters, but may do this in the future, giving 90 days advance notice on this page". I changed that, and we can certainly change this if it's not what you were thinking, to "the USCF may now make available email addresses of its members available to chess promoters and other chess related businesses."

Bill Goichberg: I don't agree with this. We are not going to make the email addresses available. I would say "USCF will not make available the email addresses of its members to anyone. However, USCF may use the email addresses to promote activities of third parties. Members who don't wish to have this happen can opt-out."

Bill Hall: USCF may contact you on behalf of third parties, including affiliates and vendors.

Bill Goichberg: Yes.

Randy Hough: It makes it sound like spam.

Bill Hall: What the thought there is affiliates may advertise their tournaments. Also, obviously, USCF Sales and also us in sending our renewal notices, reminders and such. That's what the intent is. For some people that's spam and for some people it's legitimate.

Randy Bauer: So we would leave it right now "USCF does not currently make available the email addresses of its members to chess promoters but may do this in the future giving 90 days advance notice on this page. However, the USCF may use the email addresses of its members for chess related promotions." Is that what you're thinking? Bill?

General Discussion on wording changes in privacy policy and clarifying address uses. Also verbiage that assures members their email addresses will not be sold but the USCF may use a 3<sup>rd</sup> party email distribution service.

Randy Bauer: So here's how it would read "USCF will not make available the email address of its members to chess promoters. However, the USCF may use the email addresses of its members for USCF or other chess related promotions and may use a 3<sup>rd</sup> party email distribution service."

Then we go into the next part where it says "Members who provide their email address to USCF will be able to exclude their email address from categories of use and from USCF emailings that are a part of commercial promotion." This was because we talked about there being possibly different categories, now it's excluded for any use and we wanted to provide for different categories. OK, so that's the change.

Bill Goichberg: The paragraph below that refers to the USCF contacting you about your merchandise order. Since we don't sell direct anymore, I think that probably should be deleted.



General Discussion on election emails and how the proposed voter registration would impact the email policy.

Pat K. Smith: Your privacy policy revision will be a motion. Right? I'll print a copy so you all can read it. I'm putting the motion is from the whole Executive Board, correct?

Bill Goichberg & Randy Bauer: Yes

#### **EB09-041 – BOARD - Privacy Policy**

The United States Chess Federation (USCF) maintains records of the names and addresses of its members. To help further the promotion of chess, this information is available for a small service charge to USCF-affiliated tournament organizers, chess clubs, and other chess promoters. USCF may also make that list available for commercial uses with affiliated promotional offers. USCF may also provide single addresses on request to its affiliates for legitimate reasons, such as the distribution of unclaimed prizes. If you are a member or plan to become one, and do not want your name and address to be available for any such affiliated groups or commercial purposes, please notify us.

Note: Members who are Delegates as defined in USCF's Bylaws are subject to some policies which may differ from this Privacy Policy, as described in [USCF's Privacy Policy with respect to Delegates](#).

USCF will not make available the email addresses of its members to chess promoters. However, the USCF may use email addresses of its members for USCF or other chess-related promotions and may use a third-party email distribution service. Members who provide an e-mail address to the USCF will be able to exclude their email addresses from categories of use and from USCF e-mailings that are part of a commercial promotion.

USCF does not currently make available the names, addresses, or email addresses of its non-member customers to outside groups, and it is unlikely this will be done in the future. If this policy should change, we will provide 90 days advance notice on this page.

If USCF requests your phone number, this is in order to be able to contact you if there is a problem with your membership. Your phone number will not be used for marketing. If USCF should decide to promote its memberships or sales by phone, we will provide 90 days advance notice on this page, and you will be able to have your information deleted from such lists at that

time. USCF will not make your phone number available to other groups. It is unlikely that this policy will change, but if it does, we will provide 90 days advance notice on this page.

USCF operates [www.uschess.org](http://www.uschess.org) and other chess websites. When you visit our sites, our server recognizes your domain name, but not your email address unless there is a specific request for an e-mail address and you provide one. For purposes of verifying identity and eligibility, USCF maintains a record of the date of birth of its members. The USCF is required by FIDE to supply birthdates for players in FIDE-rated events held in the USA as part of the process of submitting

those events for rating by FIDE. This information is not shared with other groups, although chess promoters are able to order lists of names and addresses of players over or under a specified age. With such requests, USCF requires documentation to ensure the purpose behind the request is reasonable.

NOTIFICATION. Should any of the above policies substantively change, we will post notice of the change on this page at least 90 days before the change takes effect. **PASSED 4-0.**

The meeting was adjourned until 9am tomorrow morning.

May 17, 2009 USCF Executive Board Meeting – Saint Louis, MO – Open Session 4

Goichberg: This is a proposal that I passed out which we could approve. Or maybe we could just approve it in principle and refer it to the office and let them make changes. This was motivated mostly by the fact that the old rules had some parts of them that were clearly obsolete. For instance it said the qualification procedures were being determined by America's Foundation for Chess...There were a number of other things that had to be changed. So I went through and made those changes and some others. I then sent it to some people including John Donaldson.

John didn't seem to have any comments on it other than he said he'd sent it to some Grandmasters. He reported later that none of the Grandmasters had any comment.

That was back in February. I sent it again to him, just as a reminder, a week ago. I didn't hear anything. So, I would assume this isn't anything controversial with the Grandmasters.

Let me just go over the changes. The first paragraph about the format is completely rewritten to reflect actually what's happening.

Under rating "the number of qualifying spots shall be determined by USCF in consultation with the sponsor". That's new wording, which reflects what's actually happening.

US Open, US Junior those are qualified for many, many years under many different formats. I thought it was time to put that in the rules.

US Senior, the US Senior Champion has not always qualified. In recent years the US Senior Champion has usually qualified, but not this year. Because this year the current Senior Champion, Larry Kaufman, already got one qualification last year and there was no more Senior held. So, it was felt it not fair to give him two qualifications.

Berry: So, he was dropped to a Wild Card.

Goichberg: No, he just didn't get in. I think there's general consensus, for the future, we want to help promote the Senior. It's nice to have some of our past stars in the tournament, even if they're not that strong. This says "the top finishing player in the most recent US Senior Open usually qualifies". It's not quite as strong as the Open or the Junior. This leaves the way that if the sponsor says "I object to this". We can say "OK".

It also specifies that if no Senior is held between two US Championships the second US Championship might have no Senior qualifier. It also recognizes the ICC Tournament of State Champions, but it says “usually”.

General Discussion about the ICC Tournament of State Champions including qualifications, legitimacy, onsite observers.

Goichberg: Wild Cards were never mentioned in the rules. They are now, but nothing mandated.

Hall: I know there's a potential sponsor for the US Championship for next year, that is interested in the qualifier. So, we need to be careful about locking too many more spots.

Goichberg: Maybe we should approve this in principle, then show this to the Saint Louis people and see if they have any problem with it.

Berry: What I'm saying is the sponsor should get 24 out of 24 Wild Cards with these as guidelines.

Goichberg: No, I don't think the sponsor should get 24 spots. What if somebody offers a lot of money but says I want to put who ever I want in? They could invite a bunch of 1800 players. We don't want that kind of sponsorship.

All right, Timing of Invitations. I think this is important and I don't think there's ever been anything in the rules about that. This puts down generally what is done- Invitations are determined about 3-4 months before each tournament.

Discussion about Tie Break and agreed that USCF rated games which include FIDE rated games would be used.

Goichberg: The activity requirement is different. Current activity requirement is 10 USCF rated games.

Berry: I like raising the activity requirement.

Goichberg: I think we should raise the requirement if for no other reason than the 10 rated games requirement was put in when FIDE rated, foreign play didn't count. So, it's a lot easier for them to get games now, because the top players do have quite a bit of this FIDE rated, foreign play. The intent when the 10 games was put in was to make them play in the U.S., and now that we're including the foreign games, I didn't want it to be possible for all 15 games to be foreign. That's why it says at least 8 of the 15 games in the U.S.- still maintaining the old intent that they must play in the U.S.

Bauer: I think that's fine. Be mindful that's not just 8 games. It's 8 games against players over 2200.

Goichberg: That's another change. It used to be just 10 games.

Bauer: I don't necessarily disagree, but that could be 4 or 5 tournaments, in some weekend Swisses where you only play a Master or two.

Berry: I don't know. We have some people slipping into Oklahoma to get their qualifications - their minimum done.

Bauer: But are they playing 2200 players?

Berry: That's my point.

Bauer: They are?

Berry: Sometimes they're playing over 2200 players, but not every round.

Bauer: That's my point. You may be talking more than just a couple tournaments. You may be talking 5 or 6.

Berry: So, you're saying that's good for us?

Goichberg: If you look at the records of the top players that qualify, on rating you'll find they play a very large percentage of their games against Masters. They're played in a lot of open tournaments with large prizes. Where the section they play in has quite a few masters. Since they have to have good scores, they play the Masters. Now we did have at least one player where there were complaints because of play against 1500 players about five years ago or something like that.

Bauer: OK. If you're comfortable with that, I'm fine then.

Goichberg: OK. Then we have the same requirement for women, except the players rated over 2000 would count.

Hall: What's the lowest rated woman that's going to qualify this year? Probably 2100 or something?

Goichberg: Basted on rating, they're mostly Masters. You might get a 2180 or 2170.

Discussion on women qualifier ratings and Wild Card ratings.

Bill Hall: 2000 might be a little bit high. It might ought to be 1800 or 1900 for the women. Thoughts?

Goichberg: No. I think we want to encourage the women to play reasonably good players. 2000 is not too hard to reach.

Now all of this about residency goes on for a page is almost all copied from the existing rules. I think there's only one change. OK number 4, currently the requirement is, when a foreign player, or previously foreign player, listed with FIDE as representing another country, wants to play in the U.S. Championship, currently they have to change their FIDE registration to U.S.A. I suggest that that be changed. It used to say "the USCF shall then contact FIDE to arrange for the player's national affiliation code to be changed to reflect the player's status as a U.S. player". I suggest that "shall" be changed to "may", because the effect of that was we were losing foreign players, frequently for little reason and making it harder for organizers to run international tournaments. Sometimes you have to change. For instance if it's a Zonal, I think it might be required by FIDE. Even if it isn't, if you're talking about somebody that's 2650, certainly we want them to represent the U.S. so they can play in the Olympiad. If it's a player rated about 2300, then they're not going to play on our Olympiad team and we force them to change from another country to U.S. so they can play in the Championship. That hurts other people's chances of making norms. We don't have that many foreigners living in the U.S. I'd like for the office to have the option, if the player doesn't want to change (changing costs money too), we don't have to force them. There's no rule that says you can't have someone in the U.S. Championship who is listed with FIDE as a foreigner. Now, I'm not saying you allow an actual foreigner. I'm just saying that you allow them to be listed. For instance Sunil Weermantry, if his rating was high enough, he's listed as Sri Lanka. Which has helped a lot of people's norms. Do we want to force him to be listed as U.S.? It's just going to hurt everybody. It's not required. Just let him play anyway. He's a real U.S. player.

Unless we're forced to, I'm just saying let's have the option.

General discussion about residency requirements.

Goichberg: Is everyone generally in favor of this? Any other changes?

Bauer: I'm kind of having buyers remorse over our decision to put the top 5 from the U.S. Open into the U.S. Championship. But that was a decision we consciously made.

Goichberg: I think that was fantastic!

Berry: Wait. Let's address that, because we don't want you to have buyers remorse.

Goichberg: Look at the answers we're getting. I mean this hotel is apparently sold out, already. It's unbelievable.

Bauer: Do you think it's that change?

Goichberg: I think it's part of it. We made a lot of other good changes, too.

Bauer: I'm just not so sure.

Goichberg: I love it! I think we should have it every year. The U.S. Open's been dying. It desperately needed some infusion of excitement.

Bauer: I understand that.

Berry: It's the Board's tournament. We have to support it in every way that we can. This is a way to do it. I don't have buyers remorse.

General Discussion on the 5 qualifier spots for U.S. Championship.

Goichberg: All right. I suggest that this be an Action Item for Bill Hall that he will check with the Saint Louis people. Make sure they don't object to anything and then propose the final form to the Board for approval by email.

Smith: Effective January 1, 2010?

Goichberg: Effective with 2010 U.S. Championship.

Hough: What about USCF membership?

General Discussion about requirement that foreign players must be USCF members to play in a national tournament as stated in the rules.

Hall: One item to note. We did have the conference phone removed today. Yesterday we did have a conference phone because we were notified that a couple of our Board members would be attending by conference phone. In spite of our very best efforts, to contact them through email and multiple phone calls, we never had a response. We never received a phone call. We paid almost \$300 yesterday, and it was going to cost us almost that again today. So, we made the decision to save the membership money and take the phone out.

Bauer: I'm glad somebody is trying to save the membership money.

Goichberg: OK. Ratings. Life Titles and Quick Rating System is just a review. The Rating of Blitz, I did send out some correspondence.

All right, let's just review Life Titles. Mike Nolan is not here and maybe he knows the status better. Bill, do you know anything about the latest status?

Hall: I don't know the very latest. I can call Mike.

Goichberg: Well, I know something. I received an email recently. I don't remember if it was Glickman or Nolan. It was something to the effect that...I think it was from Mark Glickman. They'd finally resolved everything, and the formula has been greatly improved, and they're finally ready to go. All I want to know now is can we just go? I guess that's another Action Item for you.

Hall: I'm putting Mike, Go time?

Goichberg: If Life Titles could be announced in the July issue of Chess Life, that would be wonderful.

Hall: Possible, but probably pushing it a little. I'll put July. We've got a couple weeks to get something in there. It may be possible.

Hough: Are those titles retroactive? Like 40 years?

Goichberg: We've had that discussion. I think they should be, but it can't be done by computer earlier than '91. My suggestion was – if you want earlier credit, that requires research, then you have to pay for the research.

Bauer: Unless you do it yourself? Some of my best performances were around 1989 when I won the state championship. All the cross-tables for those tournaments were in the Iowa Chess Association's official newsletter. If I produce those newsletters with cross-tables, that would seem to me to be sufficient.

Hall: Yes. If the research is provided on their end I don't see any reason for a charge. We have, and I don't remember how far it goes back, but we have a ton of cross-tables for like a 20-year period. Bill is that right? We're missing a year or so in there.

Goichberg: I think they go back to the early '80's but it's very cumbersome to find tournaments. Extremely time consuming. They're not in any particular order. They're by year, but each year might have 5 gigantic books. You don't even know which book it's in.

Bauer: I think that's right. Either the player can produce what would be considered credible evidence, or if they want to research it, they're going to have to pay an hourly.

Goichberg: Also this issue of granting credits without absolute proof – that remains for the Ratings Committee to make a recommendation on. In my opinion, even if you have no cross-tables, we have rating lists. If you look on a rating list and you see 2250, 2300 you know, the rating keeps changing, the players active, the ratings pretty high – I figure you can make certain assumptions from that. Anyone with that type of a record must have been making certain norms. Exactly what he must have been making is better left to the Ratings Committee. I'm saying it doesn't have to be precise. Since he obviously deserves some credit, better to guess the credit than to say you get nothing.

OK. Quick Rating System. This is another thing that's kind of frustrating. We've been through this so many times. The major problem we have here is young players, who early in their career play slow and play Quick, and get about the same rating. Then time goes by and they play a whole lot more regular chess, and not too much Quick chess, and their regular rating goes way above their Quick rating by sometimes 500 to 1000 points – in many cases 200 or 300 points. If you look at any Top 100 list by age, make a chart of the Quick versus the regular ratings, you'll find probably 97 - 99% have higher regular ratings than Quick. A fairly good percentage, maybe half of them the difference is at least 200. And, of course, in almost all cases the Quick rating is

wrong. The regular rating reflects his strength. The regular rating is based on a lot of recent games. The Quick rating is based, usually, on very few recent games.

The Ratings Committee has been working on this. They suggested in 2006, that instead of a Quick system, we have an overall system, which would just rate everything. That way you could get credit for your Quick games. The Delegates sort of accepted this. There was no vote. It was reported to them. No one complained. Subsequently there was a discussion on the Forums, and we found out that no one was in favor of this. Literally. Everybody said “Who cares about an overall rating system? We don’t know what it means”. Some of them said “We want a Quick rating system”. There were others that said “We don’t care about that either”. I think the ones that are interested in some sort of Quick rating system, would like it to be more accurate, but they don’t want it to just be an overall system.

I think that Mark Glickman and I are in substantial agreement on this, at least on the principle – that you’ve got to get the regular games into that Quick rating somehow. But I don’t think that they should be rated as heavily. I would do it a different way than Glickman would do it, and Nolan needs to test both ways. The last report I had was that this testing was very cumbersome and we needed to wait until we got our new server. I would assume we do not have our new server, so this is still on hold.

All right, I’ll move on to the Rating of Blitz. I was very surprised when I received my copy of Florida Chess and there was a letter to the editor, Harvey Lerman. Actually it was a letter or an email that Harvey Lerman had sent to David Kuhns, the chair of the Rules Committee, asking “Is Blitz chess USCF ratable?” David Kuhns’ answer was “No”. I was kind of shocked, since every issue of Chess Life since 2004 has encouraged our affiliates to run USCF rated Blitz chess. I thought it kind of strange that we had a committee chair saying what it says in every issue of Chess Life is wrong and you’re not allowed to rate Blitz chess.

Hough: Blitz is clearly defined as game/5?

Goichberg: Blitz is clearly defined a G/5 in Chess Life. In 2008 the Delegates revised the Blitz rules. The revision clarified that Blitz chess is not quick chess. It has its own special rules. The most important of which is that if you make an illegal move and hit the clock you loose. David Kuhns position is that since we’ve announced that Blitz chess is not Quick chess, of course it cannot be USCF rated.

I feel if you want to make a rule like that, you should tell everyone what your intention is instead of assuming that they’re going to figure it out. Because, apparently no one figured it out. I sure didn’t figure it out. I don’t think any of the Delegates figured it out, except maybe the ones on the Rules Committee.

David says everyone on the Rules Committee agrees with him that Blitz should not be USCF rated.

Now I think if the Delegates would have known this, there would have been some opposition with passing the rules. I certainly would have objected. I would have said “Hey! We’ve talked



a lot of clubs into running this. We've collected rating fees. We're getting a few memberships. What are you doing? Why are you hurting us? What's the point?"

I'm not proposing that we legislate anything. I think the Delegates will do that. There's a motion on the agenda to have a separate rating system for Blitz. We might discuss that a little bit, but certainly we're not going to try to legislate in that area.

I just want to put it on the record that I believe strongly, that currently Blitz is USCF ratable. It is being rated. Events are being submitted for rating. They are being accepted. I think it would be very foolish to suddenly say we just figured out from the wording of what was passed, that the intent was to make it no longer ratable.

Now, as for the future, I think it's better to have a separate rating system for Blitz than to have it not ratable. But I would prefer to continue with it as part of the Quick system, because we already have tremendous problems with the Quick system, because there aren't enough games in it and too many of the ratings are inaccurate. I'm afraid if we have three systems, we'll have even more problems. I remember when there was a separate Blitz system run by the World Chess Association. I was not happy then because we did have the problems of the three ratings, and what do you do with the three ratings?

Right now, usually, the regular rating is higher than the Blitz rating. There are a few exceptions. There are a few people that are good at Blitz, and they play a lot of it - Blitz or quick. And their Quick rating is higher. There are not too many like that.

If you have three rating systems, you're going to have all sorts of permutations. You're going to have, you know, the regular is the highest, with the Quick second and the Blitz third, which makes sense. And vice versa, which makes sense. Then you're going to have those that don't make sense.

I just see mass confusion on the issues of -What am I eligible for? What ratings are being used? If you use the purist view - use the rating that corresponds to the tournament. Then those ratings are based on very few games, or are obsolete or are inaccurate. We've already got a big problem with Quick. I think we should at least solve the problem with Quick ratings before we start a third rating system, and open up a whole lot of new problems.

Hough: I am persuaded, but we're going to have to repeat this whole discussion at the Delegates' Meeting.

Bauer: Right, I tend to agree. It's kind of like all the different membership classes... I think two - a regular and quick is plenty, and Blitz should be done under Quick. The issue of ratings being different, well that's the whole point of having different ratings, they're going to be different. I don't think that in itself is a huge flaw in the system.

Goichberg: Kuhns and Mike Atkins both want a Blitz rating system and argue that strength at G/5 is much different than strength at G/29. I'm sure it is! I'd argue that strength at G/30 is different than 40/2, so how many systems do you want?

Hall: It's simply an issue of practicality. Is there going to be enough games, in the game file rating system to warrant a separate rating system? I really don't believe that's the case.

Goichberg: I think it will decrease the accuracy of quick, because Quick already has too few games, and they'd be taking some of the games out.

Hall: They do have a good argument in the difference in strength.

Bauer: Part of what Dave is saying is they have different rules, not just the time control...

Goichberg: He's saying Blitz is a chess variant. I disagree. I don't think it's a variant like Fischer Random or Bughouse. I don't see that. We could have Fischer Random ratings. We could have Bughouse ratings. Is there enough activity to warrant it?

Hough: The practical answer is many of the Quick ratings are inaccurate anyway so what's it going to hurt if you've got Blitz games under different rules thrown in there too?

Goichberg: It makes it more accurate I think. Putting in games that don't reflect your strength at G/29 that well, actually improves the accuracy, because the average game in Quick is not G/29. It's probably more like G/12 or something. We don't have enough games. So, even if you put in something that's not quite accurate, it's still more games.

Hough: I run Quick only once or twice a year. Somehow I always forget to remind people that the insufficient losing chances rule is in effect. Right? In fact I won a game myself and my opponent could have made the claim, but I didn't remind him. I just let his time run out.

Goichberg: But in my opinion, you could use Blitz rules. Then, you could say this is G/10 and we're using Blitz rules. As long as everyone is notified in advance, I think that's an acceptable variant. In fact that's not such a bad idea. Try G/10 with Blitz rules. I haven't heard on anyone doing it, but it doesn't sound like a bad idea.

All right, let's go on Life Member Letters. I think you may have reported on the status already?

Hall: I did report some. Let me go into the full strategy there. One of the key things is, with it being a "you must communicate to us that you want to keep receiving it", you want to be very detailed here insuring that everyone has ample opportunity to be aware of it. So, we're starting with a Life Member Letter detailing everything with a response card. We'll have a place on the website where they can go in and respond. They can also call in. We're trying to make it as easy as possible for the Life Members to communicate with us. Then it will be followed up with a postcard reminding them that it's coming. Then the last issue of Chess Life that they would receive will have a cover wrap. I believe that is scheduled for October. At that point they would stop receiving Chess Life. If they contact us saying they want to continue receiving Chess Life, then that would be reinstated.

Goichberg: The first month they don't get Chess Life, they'll get the TLA Newsletter. So, on that month maybe there should be something on the front of the TLA Newsletter saying "Notice if you're a Life Member and you're getting this here's why".

Hall: It's also going to be addressed on the Current Affairs page in Chess Life. So, we'll have multiple points of attempted contact. Also, we're going to email everyone that we have an email address for, as well with a link to the web page where they can respond. Actually, we're giving them three choices – keep receiving Chess Life; just receive TLA Newsletters; or none of the above. The default will be they receive the TLA Newsletters. That way there's still some level of contact. If they tell us "receive none" then we realize the full savings.

Goichberg: OK that sounds good. This letter also is going to appeal for donations for the Olympiad Fund, and maybe something else?

Hall: Right. We'll have some appeals for donations, also reference to bequests, also advertisement for the U.S. Open and there's something else I can't remember.

Bauer: Charitable Remainder Trusts.

Hall: Right, any questions on that? We're really trying to put together a good strategy, so we've diligently done everything reasonable to make sure they are aware they have this choice. Because with it being a default, of not sending out Chess Life if we don't hear from them, it's very important that we make every reasonable effort to communicate with them.

Berry: Who's the person in the office that has this project? It's a collaborative effort between Daniel, Mike and me. Mike's coming up with the page and generating lists for, who to do the cover wrap for, e-mailings, postcard mailings, and the letter mailings. Daniel is getting the pricing on all of the contacts done at the publication part. I'll probably write things for the USCF Affairs page.

Goichberg: OK, good. 501(c)(3) Status.

Hall: I do have one copy of what was given to Harold to review. You can pass it around. There's a resolution that the Executive Board has to pass, that was drafted by our counsel. Then there's also a resolution that the Delegates would have to pass.

There are a few changes that would have to be made to the Articles of Incorporation to make it consistent with us being a 501(c)(3).

General Discussion on changes to Articles of Incorporation and 501(c)(3) application.

**EB09-042 – BOARD** – Passed 4-0 - The Executive Board supports the resolution to change the Articles of Incorporation for the purpose of obtaining 501 (c) (3) STATUS AND HERE BY SUBMITS THE FOLLOWING RESOLUTION TO THE Board of Delegates for their consideration:

Note: See attached resolution. Unable to imbed in document and email.

Goichberg: OK, Quick Rated Scholastics. We've discussed this several times. This was the idea as an experimental program, allowing scholastic tournaments to be Quick rated with no USCF membership requirement, but with a higher rating fee of \$2 per player. That's for no more than 6 rounds. This was mentioned at the Scholastic Workshop and there seemed to be very strong support for it. It was supposed to be on the agenda for the delegates and it was left off by mistake. Really Delegate approval is not required.

General Discussion about using Quick ratings for non-rated scholastic players to determine playing section in tournaments, how non-member players would be tracked and how to implement this program on a trial basis.

Goichberg: OK, on this Quick Rated Scholastics, I don't think we need a motion for it to be implemented.

Hall: OK. Action Item that we implement a Quick Rated Scholastic promotional project. We still have a few points to flesh out, you and I and Mike and quickly get some feedback from Council on it.

General Discussion on encouraging all states to rate their state championships.

Welcome guest – Joel Berez

Goichberg: Let's move on. We have one more Open item, which I had added to the agenda. Maybe that's why Joel is here? But it would be good to get his input. We want to talk about "How We Can Use Online Play to Promote USCF Membership?"

Berez: I stopped in because I saw a note about Scholastic Quick Rating and thought it was some sort of rating that might be interesting online. It sounds like it's something different.

Goichberg: Actually it could be, because online tournaments can be Quick rated. So, scholastic could also do online Quick ratings.

Hall: What we're talking about here is a rating allowing rating of scholastic members, under 1000, for only a \$2 per head rating fee, without requiring USCF membership only for Quick ratings.

Goichberg: That means it could be online.

Hall: We've got some things to work out, as far as if there's a tournament that has members in with it, how....We're still finessing some of the details, but that's something we're definitely moving toward. Only scholastic. We have to limit it. We don't know what the downside risk is as far as revenue. What we've got to come up with is the fee structure.

General Discussion on Quick Rated Scholastic promotional project and how it will reach out to the vast un-rated scholastic activity.

Goichberg: OK, to move on to online play in general, I think there's general agreement that we have to look to online play as an important source of future members. We've just never figured out the right way to do this. There's talk that, with appropriate supervision, it could be regular rated. We're wondering if USCF should have an online rating system. It seems like we should. ICC and all of the other online servers have their own online rating system. Or, should we just stick with the Quick rating system? What options do we have? We're just looking for ways to get members. We think if we have a title like Official USCF Online Master, some people might like that and become members.

Berez: Yes, but if the rating was actually no different from these other online ratings they could get, just because it had the USCF's name on it, I don't think it would necessarily make a difference. On the other hand, I think there could be a real opportunity for you to do some kind of hybrid thing. Like if these monitors would all be certified by USCF. Also do some new kind of event system where you play in a monitored location, so that you could have real USCF ratings.

Hall: We've talked a little bit about that. There are some logistical problems as far as finding hub sites to have control over what software was on the computers and stuff like that.

Goichberg: That is something that was discussed quite a bit last year. It was discussed at the Delegates' Meeting. It doesn't seem like it has a tremendous amount of support. Maybe if we pushed it, we could really get it going. Right now we're looking at other options, like appealing to people who are just playing from their homes, and we're wondering if there should be some sort of USCF online rating. I really have no feel for whether this is a good idea or not.

I've never supported a separate online rating system. I think we should use Quick for online. I just don't like having a lot of different ratings.

General Discussion about time controls to prevent cheating, how ICC handles time control, value of USCF online rating, team ratings with anonymous players, league play, correspondence chess online, friendly games with no time controls. How to get G/30 or G/60 online events held. Dealing with cheating complaints.

Berez: If you want to create something we'll try it.

Goichberg: I suggest, start out with one new time limit. Maybe G/30 and announce Quick rated tournaments. And see what happens.

Berez: What do you want to call it?

Goichberg: World Chess Live or ICC and USCF Quick Rated Tourney. I don't think we want to start a new system. If we did start a new system, it should be part of a really large-scale plan with a lot of activity. That would mean we would need somebody like World Chess Live or ICC

to say “yes, we’re going to have a lot of activity and we’re going to rate it with this”. I don’t know if we’re ready to have an online system with very little activity, with very little activity the system becomes a joke. I don’t believe in an online system. I think the Quick system is the right way. It’s an existing system. It needs more games. We could use G/30 games and it would be very helpful. Even G/60 online games would be helpful. The bigger the sample of games the better.

All right, the Board’s not going to vote on it. It is a valuable thing for everybody to be thinking about.

General Discussion on whether adding G/30 and G/60 games to the Quick rating system would undermine its credibility.

Goichberg: OK. We need to pass the motions so we can go into Closed Session.

**EB09-043 – BOARD** - Awards are as follows:

Chess City of the Year (1983): St. Louis

Chess Club of the Year (1999): Fresno Chess Club

Committee of the Year (1982): LMA

Distinguished Service Award (1979): John McCrary and Beatriz Marinello

Gold Koltanowski Medal (1979): Rex Sinquefield

Grandmaster (GM) of the Year (1997): Yury Shulman

Frank J. Marshall Ambassador Award (1994): John Fedorowicz

Meritorious Service Award (1980): Jennifer and Mike Skidmore, Steve Steppe

Organizer of the Year (1994): Tony Rich

Outstanding Career Achievement (1986): Tim Sawmiller, Gary Fox, Tim Just

Scholastic Services Award (1994): Aviv Fredman, After School Activities Partnership

Special Services Award (1983): Calvin Olsen, David Moeser

Tournament Director of the Year (2004): Francisco Guadalupe.

Chess College of the Year: University of Utah, Miami University (Ohio).

**PASSED: 4-0**

**EB09-044 - BOARD** - The Board names Beatriz Marinello as Zonal President.

**PASSED 4-0**

**EB09 – 045** - The fees for rating FIDE events will be as follows:

Swiss Tournaments: the higher of \$1.50 per player or \$60.00.

Round Robin Tournaments: the established fee FIDE charges plus 10%. This is to be set by the USCF office semiannually.

**PASSED 4-0**

General discussion about the possibility of FIDE rated online events and other FIDE rated tournaments.

Goichberg: That's all. We're finished with Open Session.