

Proceedings of the May Executive Board Meeting

The USCF Executive Board met on May 20-21, 2000, at the Hampton Inn in Newburgh, NY. Thanks go to the many guests, including USCF employees, who attended.

Saturday, May 20

All Executive Board members were present throughout the first day of the meeting:

Bob Smith, President

John McCrary, Vice-President

Jim Pechac, Vice-President for Finance

Doris Barry

Helen Warren

Joe Ippolito

Tim Redman

Garrett Scott

George DeFeis, Executive Director

REPORT OF THE PRESIDENT'S SPECIAL COMMITTEE ON FINANCES

Steve Doyle presented the recommendations of the President's Special Committee on Finances. This committee, consisting of Steve Doyle, Leroy Dubeck, Peter Dyson, and Jim Eade, had made a special study of USCF finances in the weeks preceding the meeting.

The President's Special Committee emphasized the serious state of the USCF's financial affairs. The Committee was of the opinion that the USCF is at risk of financial failure and extinction unless effective means of recovery are implemented successfully.

Among the many specifics discussed by the committee were the life membership fund (LMA), which stands at about \$2 million. However, that \$2 million includes the New Windsor building, valued at about \$450,000, but possibly worth less in the current market because of changes since the last appraisal. The LMA assets also include an account receivable from USCF Operations of \$300,000.

USCF Operations has a negative balance. Assets are approximately \$903,000, but that includes accounts receivable, some of them doubtful of collection, of about \$300,000,

and inventory of books and equipment of about \$500,000. Some of that inventory is aged and of diminished market potential. Operations has liabilities of about \$1.2 million.

Over a five-year period, regular members have declined, and so have sales. Growth in the life and sustaining membership areas has become flat. The main areas of growth have been in the areas of scholastic and youth members. Expenses for personnel and invitational events have increased over the five-year period.

The President's Committee made a number of recommendations including increasing sales margin, using aged inventory as ways to encourage membership renewals or bring in cash on special sales, more direct marketing, appointment of a CFO and webmaster, affinity programs, aggressive pursuit of sponsorship including old sponsors, combating rating deflation, Internet play, Internet publications, more partnership with the Chess Trust, eliminating the rent for the second building, dues restructuring, and a number of other suggestions.

OUTSOURCING OPTIONS

The possibility of outsourcing the shipping and receiving operations of the USCF was discussed, but the consensus was that the costs would exceed benefits for the foreseeable future when all factors were considered.

FUNDING OF FIDE

YOUTH EVENTS

Dr. McCrary reported that the U.S. Chess Trust has authorized funding support of \$7000 for FIDE Youth Events.

LMA Investment Policy

The need for regular reporting to the Board of LMA performance was discussed, along with options for managing its investments. It was noted that this is a Delegate-elected committee.

GRAND PRIX EVENTS

EB-00-88 (Redman) The U.S. Chess Federation suspends the USCF Tour Program until such time as our computer modernization efforts make the prize calculations feasible. The Board will determine the resumption date. PASSED 8-0

REVIEW OF MEMBERSHIP TRENDS, DRIVES, AND SURVEYS

George DeFeis noted that the membership drive in Chess Life this year had received almost no response from the membership. He indicated that the staff is working on ideas for a new, hopefully more successful membership drive. Although membership is

at an all-time high, actual revenues from dues are declining as a result of the fact that membership is declining at the higher dues levels while growing at the lower dues levels.

George DeFeis also discussed preliminary statistical results from a membership survey sent out to a random sample. Members responding gave varying satisfaction rates for different USCF services for such things as publications, book-equipment sales, and ratings. The member comments on the various questions will be summarized as part of evaluation of services pertinent to member satisfaction.

EB-00-89 (Redman-McCrary) "The Executive Board authorizes the Executive Director to offer an appropriate discount coupon for renewal of a lapsed membership as part of a membership survey." PASSED 8-0

SCHOOL MATES ON-LINE

The general question of possibly putting School Mates on-line was discussed. Mr. DeFeis expressed concerns from scholastic leaders, including whether placing it on-line would reduce direct contact with the membership. A general proposal was made to offer a reduced-size paper School Mates but supplement it with more material on the web. This approach could save the USCF about \$30,000 annually over current costs, while providing more total material when the website is included.

PRESENTATION BY

INSURANCE GROUP

The Executive Board heard a presentation from representatives of John Hancock Insurance regarding a possible cooperative arrangement with USCF to provide a benefit for USCF membership. The Executive Director will discuss this further with them.

PRESIDENT'S SPECIAL COMMITTEE-REVISITED

The Board considered the following motions:

EB-00-90 (Redman) The Executive Board expresses its gratitude to the members of the financial task force. The Executive Board accepts the report of the financial task force and directs the ED to prepare a written response and implementation plan addressing all of the task force's principal recommendations to be sent to the EB by June 30, 2000.
WITHDRAWN

EB-00-91 (Smith) "The Board expresses its appreciation to the President's Special Financial Committee, accepts its recommendations in principle and refers them to the Executive Director for immediate action." PASSED 8-0

FIDE ISSUES

The Executive Board considered two matters here: The FIDE Commerce Proposal first publicized in early 2000, and the venue of the proposed FIDE World Championship. The following motions were passed:

EB-00-92 (McCrary) "The U.S. Chess Federation adopts the following official position: The U.S. Chess Federation (USCF) endorses the concept of a strong world organization of chess players, which supports a system of competitions for the strongest players in the world culminating in a valid world championship. The USCF also firmly embraces the principles of freedom of action and freedom of speech that are the foundation of the American way of life. In accordance with these principles, the USCF adopts the following position with respect to the FIDE Commerce proposal as it has been presented:

1) The USCF cannot accept any regulation that limits journalistic freedom or freedom of expression for any individual, or interferes with the efforts of free enterprise to promote chess. The USCF cannot recognize a censure, boycott, sanction, or other restricting or punitive action that contradicts our principles of action, speech, or the press, or that is imposed for behavior that does not violate the USCF's Code of Ethics.

2) The USCF must reserve the right to recognize or withhold recognition of any world championship event or title, in accordance with the principles established by our Board of Delegates regarding the validity of the world championship title. The USCF endorses the principle of compromise in helping to bring about a universally-accepted world championship.

3) The USCF endorses working toward a more logical program of high-profile tournaments and toward cooperative Internet ventures, and might be willing to consider entering contractual arrangements toward those ends. Questions of open accounting and of legitimacy of funding must be addressed prior to any such arrangement and as part of any such arrangement.

4) The USCF considers that conflict-of-interest issues must be satisfactorily addressed in any plan to grant economic interest in any venture to any person or organization within FIDE, or any other organization affiliated with FIDE, or to give voting rights to any individual or organization whose financial gain would be affected by the exercise of such voting rights.

5) The USCF considers that any plan to be put into effect must have the approval of the FIDE General Assembly and must not be inconsistent with the principles in this position statement.

6) The USCF Delegate or representative to FIDE is instructed to act in accordance with this motion." PASSED 8-0

EB-00-93 (Redman and McCrary) "The continuing policy of the U.S. Chess Federation is that any FIDE event must be open at all stages to every eligible player from every FIDE nation." PASSED 8-0

Don Schultz and Steve Doyle also discussed some FIDE issues for information.

STRATEGIC PLANNING REPORT

Dr. Redman reviewed the work of the Board Strategic planning sub-committee, of which he is Chair and Jim Pechac, John McCrary, and Helen Warren are members. Part of the work of this committee was discussed earlier in the summary of the membership surveys. He discussed the importance of communicating different aspects of this broad approach to the Delegates before the Delegates Meeting, possibly in the form of a joint Board report. All aspects of the overall USCF mission should be reconsidered in a larger sense as we enter the new millennium.

BUDGET DISCUSSION

The Board entered into a very lengthy discussion in open session of the planning budget for FY 00-01, the details of which discussion are in the official transcript of the meeting. Among the many items discussed were the extent to which membership revenues and net gains from the book and equipment sales can be restored to higher levels than occurred this year. Without these revenue gains restoring the USCF's financial health will be very difficult. Also discussed were more aggressive pursuit of sponsorships and advertising, office follow-up on identified grant opportunities, possible changes in publications to reduce costs, and a number of other specifics.

MILITARY CHESS

Major David Hater of West Point presented a number of ideas for enhancing chess activity within the armed services. The possibility of a special military membership dues rate was discussed.

Sunday, May 21

MOTIONS FROM

CLOSED SESSION

The following motions were passed in open session as the result of closed session discussions: (Note that all motions arising from closed session are listed as Board motions even if not passed unanimously in open session.)

EB-00-94 (Board) Moved, the Executive Director is empowered to negotiate and settle a contract for one or more tournaments at the Adam's Mark Dallas in return for resolution of any legal issues regarding the Adam's Mark Dallas and the USCF. PASSED 8-0

EB-00-95 (Board) Moved, that the Executive Board authorizes the Executive Director to revise national tournament bidding procedures and documents. PASSED 8-0

EB-00-96 (Board) The Board authorizes the ED to enter into a royalty agreement with the co-editors of the rulebook Tim Just, Carol Jarecki, and Dan Burg, to prepare the 5th edition of the USCF Rulebook for delivery by August 30, 2002. PASSED 6-2, Smith, McCrary opposed.

The following was the completion of unfinished business from the January meeting.

EB-00-97 (Board) The Executive Board appoints Jeffrey Loomis as Chief Financial Officer. PASSED 8-0 (Note that this motion was initially passed in January, but was then reconsidered before Mr. Loomis was notified and postponed until the May meeting. The reconsideration and postponement of the motion were based solely on the fact that Mr. Loomis was a relatively new employee at the time.)

EB-00-98 (Board) The Executive Board appoints Frank Niro as Trustee to the U.S. Chess Trust. PASSED 8-0

EB-00-99 (Board) The Executive Board appoints Jim Eade as FIDE Zonal President. PASSED 6-2, Smith, McCrary opposed.

EB-00-100 (Board) The Executive Board grants the following awards:

Outstanding Career Achievement Award: Harold Dondis.

Meritorious Services: Randy Hough.

Special Services: Rachel Lieberman, Sid Samole, and Ken Horne (posthumous).

Committee of the Year: Scholastic Committee.

Special Task Force Award: Computer Evaluation task force; President's Special Committee on Finances.

Chess City of the Year: Louisville, Kentucky.

Chess College of the Year: University of Maryland at Baltimore County. PASSED 8-0

Note: Subsequent to the Board meeting Dallas was added as co-recipient of the award for Chess City of the Year. This occurred by objections procedure and will thus be formally documented in the Minutes of the next Board meeting.

EB-00-101 (Board) The Executive Board appoints David Hater as Chair of the military chess committee, and Joe Ippolito as liaison. PASSED 8-0

EB-00-102 (Board) The Executive Board establishes a Membership Growth Committee with Bill Goichberg as Chair and John McCrary as liaison. PASSED 8-0

EB-00-103 (Board) The Executive Board upholds the decisions of the Rules Committee in both the Fuerstman and the Banks appeals. PASSED 8-0

Executive Director's report

Executive Director George DeFeis gave a detailed report involving a comprehensive plan in the areas of organizational structure, strategic planning, management by objectives, sponsorship, grants, computers, outreach/exhibits, enhanced web presence, advertising, ratings, efficiency, strategic alliances, and revenues.

Introduction of

distinguished visitor

Sam Sloan introduced Rusudan Goletiani, one of the strongest players in the world of her age (19.)

CHESSathon

Former Scholastic Director Beatriz Marinello introduced Victor Frias and Victor Mirena. They discussed the remarkable work being done and planned for the Hudson Valley housing projects. Plans for the CHESSathon were discussed.

EB-00-104 (Scott) The Executive Director is authorized to enter into negotiations for the 2001 CHESSathon with Ms. Beatriz Marinello and Mr. Victor Frias. PASSED 8-0

Minutes

The following motions were introduced:

EB-00-105 (Redman) Moved, to accept the Minutes that Doris has provided us, the ones that were made with Myron's assistance. FAILED 4-4, McCrary, Smith, Ippolito, Scott opposed.

EB-00-106 (McCrary) Moved, to accept the Minutes as I presented them, with the understanding that I will reconcile any differences with Ms. Barry's version so we can preserve the numbering. FAILED 4-4, Redman, Warren, Pechac, Barry opposed.

EB-00-107 (Redman) "The Executive Board thanks John McCrary for his hard work and dedicated service as Acting Secretary. We ask him to finish his work on the USCF

Delegate elections and as Secretary of record for this May 20-21 meeting. The Executive Board re-elects Doris Barry as USCF Secretary effective June 10. FAILED 4-4, Smith, McCrary, Scott, Ippolito opposed.

EB-00-108 (Warren) The Secretary shall circulate for Executive Board review the draft Minutes of Executive Board meetings prior to publication and circulation. PASSED 8-0

Rulebook discussion

Former USCF Vice President Bill Goichberg addressed the Board regarding his belief that the committee to revise the rulebook should work without compensation, since competent volunteers were willing to do so. Carol Jarecki expressed agreement with this view.

K-O Presentation

A brief presentation by K-O Interactive was made regarding development of on-line play for the USCF. It is hoped that they will have technology available to exhibit at the Delegates Meetings and associated workshops.

Budget discussion

Additional discussion occurred regarding the planning budget.

EB-00-109 (Board) The planning budget for FY 00-01 is approved.

PASSED 8-0

At this time Jim Pechac left the meeting to catch his plane.

Executive Director travel

EB-00-110 (McCrary) Motion #EB-00-04 is amended by adding the words "of elected Executive Board members" after "All travel expenses" in the last sentence, and by adding "reimbursements" as the fourth word in the last sentence. PASSED 5-0-2, Warren, Barry abstaining, Pechac absent.

Finances and membership

EB-00-111 (Ippolito) USCF's 2000 Annual Report will include a very brief 15 year history of USCF finances and membership. This historical perspective, useful to the Delegates in analyzing our current concerns, will be prepared in the specific, space-saving and neutral described in the memo on this topic dated May 16, 2000. PASSED 6-0-1, Barry abstaining, Pechac absent.

Grand Prix

EB-00-112 (Warren) In Grand Prix Tournaments, the limit of the amount designated as other fees be raised to \$20." PASSED 7-0, Pechac absent.

U.S. Championship Agreement

George DeFeis described the agreement he reached with a group of Seattle promoters. This group is willing to sponsor and stage the U.S. Championship and Women's Championship annually for a ten-year period, offering a substantial prize fund and many new ideas to upgrade the marketing, visibility, and public status of these events. GM Yasser Seirawan deserves much credit for helping to bring about this proposal. The efforts of the Seattle group are greatly appreciated and the new sponsors are already bringing in many new ideas to market and publicize top-quality events.

College Chess

Dr. Redman discussed the continuing contributions to chess being made by the University of Texas at Dallas. Their scholarship program has already established itself as a model.

Kolty Youth Seminars

Ms. Warren passed around a memorandum on a proposal for Kolty Youth Seminars to the Executive Board. These were subsequently distributed also to the Trustees of the U.S. Chess Trust.

Committee Responsibilities

George DeFeis discussed the need for clearer responsibilities for committees in order to enhance their contributions to the organization.

The meeting was adjourned.

Respectfully submitted,

John McCrary, USCF Vice President