

CHESS FEDERATION OF CANADA GOVERNORS' LETTER FIVE 1997-1998



Responses may be mailed, faxed or E-mailed to the Chess Federation of Canada, E-1 2212 Gladwin Crescent, Ottawa, ON, K1B 5N1, fax: 613-733-5209, E-Mail: info@chesscanada.org

ATTENTION ALL GOVERNORS: Anyone with an E-Mail address can have their Governors' Letter sent to them via E-Mail and save the CFC paper and postage costs. Please E-Mail info@chesscanada.org if interested.

Deadline for responses is June 30th, 1998

PRESIDENT'S MESSAGE

In this governor's letter you will find the financial statements and auditor's report. We have had this year a significant loss. This is largely due to a very substantial drop in member sales of approximately \$30,000.00. There are two major factors. The first is the mail strike, which came at the worst possible time for anybody in the mail order business. This is outside the control of the CFC. The second factor was the AEM mailing in Ontario. Although this has been covered already I must respectfully remind the assembly that the reason this mailing was so harmful to the CFC is that AEM can use its profits from Quebec, where it does not face any substantial competition from the CFC, to sell at extremely low margins in Ontario. In one particular case an item was sold in Ontario by the AEM for less than half the Quebec price. The bottom line is that the CFC cannot expect to remain in the book and equipment business, no matter how competitive our prices, unless we are also prepared to compete in the Province of Quebec. We must have a strong enough presence in the Quebec market to prevent any competitor from using the Province of Quebec as a base from which to launch a form of economic warfare on the CFC. I must also respectfully remind the assembly that it is the AEM and not the FQE that is the real concern in this area.

In view of the economic situation the executive has taken a series of measures to ensure the economic viability of the Federation while maintaining basic commitments. We will not be sending a woman's team to the Olympics and we will only send a five player National team to the Olympics. The restructuring of the office to only one staff member (this is a temporary measure) and the contracting out of EP was also made necessary by the financial situation. I must add that there are measures, which also must be taken by the governors. In particular we must remove the requirement that players in Quebec purchase a magazine in English in order to obtain members rates for the purchase of books and equipment or the participation in tournaments. Tournament memberships have been very well received in Quebec and have resulted in an increase in CFC tournament activity in Quebec; however as the number of CFC rated tournaments in Quebec increases we will need an annual membership solution. It is for these reasons that I am proposing a new membership category. We must also assert the right of the CFC to be the national chess federation in ALL the provinces and territories of Canada, and for players of ALL ages. I am very concerned about some of the proposals in this letter in which the CFC abandons the Quebec market or the junior market. It is precisely these kinds of policies that have allowed the AEM to compete with the CFC in Ontario with the full knowledge that the CFC will not compete with them in Quebec. Unfortunately in 1998 the results of allowing the AEM to grow in Quebec for well over a decade without any competition from the CFC can be seen in the CFC financial statements.

As I have stated before we must remain faithful to the provisions of our constitution and not allow short-term practicalities to interfere with our fundamental purpose as an organization.

Francisco Cabañas

EXECUTIVE MOTIONS PASSED

- 1) To pay 50% of Richard Berube's airfare as a second for Charbonneau (Cadet) and Hua (Under 18) at the world championship.
- 2) To grant the 1998 Canadian Open to Ottawa (Burgess et al).
- 3) To hire Stephanie Powers as an employee of the CFC.
- 4) To award the 1998 Canadian Junior to the Hensons in Manitoba.
- 5) To award an additional \$500.00 to the Canadian Junior organizers.
- 6) To award the Canadian Cadet to Jill Koshinsky in Saskatchewan.
- 7) To provide \$600.00 to sponsor two Cuban GMs to play in Canada in 1998.
- 8) To award \$500.00 to the Canadian Open 1998 organizers.
- 9) To send a 5-player national Olympic team, four by rating and one by selection committee, and to not send a woman's Olympic team.
- 10) To restructure the CFC office, terminating Tom O'Donnell's employment.

VOTE ON STRAW VOTE 98-2

98-2 (Brad Thomson) Moved, that the following section be added to the CFC Handbook:

817. Dress Code

All participants, the Tournament Director, persons assigned to demo-boards and any other individuals visibly associated with the competition during the playing of games shall dress in a proper manner. Running shoes, jeans, shorts, T-shirts and any tattered or unclean clothing are not proper. Suits are preferable, while neat, clean casual wear is the minimum acceptable standard.

The Tournament Director shall ensure that proper dress standards are upheld. If a player is improperly attired, he or she will be asked to change. The rules in place for dealing with a player who arrives late shall be in effect for a player told to leave and return only when properly attired.

Yes: Denis Allan, Lyle Craver, Martin Jaeger, David Kenney, Brad Thomson

No: Jonathan Berry, Alex Knox, Roger Langen, Ron Langill, Ari Mendrinos, David Ottosen, John Puusa, Gordon Taylor, Robert Webb

Abstain: Francisco Cabanas, Maurice Smith

Motion Fails

Francisco Cabanas: I am changing my position on this from yes to abstain in the light of Mr. Haley's comments. If a motion is presented that deals with these concerns then I would then be prepared to vote Yes.

Lyle Craver: My main objection to 98-2 concerns enforcement. I understand and favor what the goal is but wonder about players' reactions. I'd vote yes for the Canadian Closed; I'd probably vote yes for provincial championships and FIDE-rated sections generally.

Certainly I'd support it for TDs and demo board operators - hopefully this already happens rather than having to be legislated.

David Ottosen: I don't believe that players should be forced

to dress in an appropriate manner regardless of whether or not the organizer/s have acquired any sponsors. While I support giving the organizer the right to specify a dress code, I do not support putting it in the handbook and making it an ironclad rule.

John Puusa: My comments in GL#4 (p.6) still apply to my position.

Maurice Smith: I find that this motion is at least a positive step to try and improve C.F.C. tournaments. This is in direct contrast to most of Brad's other motions and comments which have been very negative in nature and seemed designed to just hack away at current and past Executives. Therefore I would really like to support this motion, but the timing seems wrong. Dress standards have been declining rather rapidly in North America over the last several years. When I first started office work, the standard for men was jacket and tie and most women wore dresses. This gradually changed until we had "Casual Fridays" where people would come into work looking like they had just slept under a bridge. Now every day is casual day. The motion would try and make tournament chess players look like office workers {the way they were}. Meanwhile, office workers are dressing like chess players!

So although I would like to see an improvement in the impression you get from the clothes that the players wear, I think that the enforcement of a dress code would be quite difficult. Nevertheless, I applaud the intent of the motion, and would like to see more positive motions in the future.

Robert Webb: As has been stated we cannot legislate style or good manners. Jeans, cutoffs, T-shirts, no socks etc. don't bother me but may bother others. I happen to dislike the wearing of sunglasses – as I cannot see the fear in their eyes...

VOTE ON STRAW VOTE 98-3

98-3 (Brad Thomson:) Moved, that the CFC cease and desist from sexual discrimination, and that all distinctions between the sexes be removed from the Handbook.

Yes: Alex Knox, Brad Thomson, David Ottosen

No: Denis Allan, Jonathan Berry, Lyle Craver, Martin Jaeger, David Kenney, Roger Langen, Ron Langill, Ari Mendrinos, John Puusa, Maurice Smith, Robert Webb

Abstain: Francisco Cabanas, Gordon Taylor

Motion Fails

Lyle Craver: I don't agree that separate Women's events discriminate against men any more than junior events discriminate against their elders. I strongly disagree with Mr Thompson that my previous objections have been addressed in any serious way whatever. My own thinking lines up with Mr Allen who covers what I consider most of the salient points. Therefore I'd vote no to 98-3.

David Kenney: After reviewing the comments provided by other Governors on this issue, I have decided not to support this motion. Therefore my vote is No!

David Ottosen: Now that I am satisfied with my only concern (how representatives to Women's championships

would be chosen, if they were willing to pay their own way), I wholeheartedly endorse this straw vote, and would be willing to help go through the Handbook to identify all such sections. As to Governor Allen's comments, there is nothing in this study (from what I understand) that says that women are incapable of accomplishing the same things as men; just that they accomplish them in a different way. Even so, I wonder how far an employer being sued for gender discrimination would get with by trying to defend himself with this study. Not far, I'd wager.

John Puusa: I applaud Governor Allan's comments in GL#4 (pp.7-8). Let's find a way to encourage women to play and let's encourage active women chessplayers to encourage other women to play. Governor Berry's trust fund concept (GL#4 p.8) merits further examination.

VOTE ON STRAW VOTE 98-4

98-4 (Gordon Taylor) Moved that with each new Governors' Letter, the CFC Executive be required to report to the Board of Governors on all motions passed by the Executive.

Yes: Denis Allan, Jonathan Berry, Martin Jaeger, David Kenney, Alex Knox, Roger Langen, Ron Langill, Ari Mendrinos, John Puusa, Gordon Taylor, Brad Thomson, Robert Webb

No: Francisco Cabanas, Lyle Craver, Maurice Smith, David Ottosen

Abstain:

Straw Vote Passes

Denis Allan: I would expect that a formal motion would consider carefully the need for some matters to be kept confidential. Even then I think the Governors should be advised as fully as possible of the fact that the Executive has dealt with confidential matters, and generally of their nature.

Jonathan Berry: If the CFC Executive like this motion, can't we see an "Executive Motions" section *now*? Somebody in the Executive must record the votes. It would take little effort to fax or email those results to the Business Office for inclusion in the GL. In fact, it would take less effort than debating motion 98-4, which would not have been proposed had there been systematic reporting. And still in April 1998 we have no assurance that the reporting is any less selective than it was before.

I think that every executive motion should be reported, omitting the confidential material, and summarizing failed motions. For example:

Salary of Executive Director (confidential) Passed

Preparation H free to tournament directors Failed

The reason is that there is a natural tendency for the top of the pyramid to consider as confidential lots of things that we governors wouldn't.

Francisco Cabanas: If the issue of confidentiality is addressed then I will consider changing my position.

Lyle Craver: As worded I have to agree with Mr Cabanas concerning confidentiality. Assuming these objections are dealt with by clear criteria for what is to be kept confidential I'd vote for 98-4 in a second. I'd consider the areas

mentioned by Mr Cabanas (personnel, ongoing business & legal negotiations) to be legitimate exclusions. In my opinion the USCF has a good balance particularly with the issues commonly discussed by USCF Treasurer Tom Dorsch and others in rec.games.chess.politics on the Internet.

Martin Jaeger: Cramer's comments are bang-on. However it should be noted that Cabanas has done a generally good job in keeping the governors informed (1996 Closed is an exception). The concrete complaints largely refer to the previous president. A rule on disclosure would be useful.

David Ottosen: While I am in favor of more communication between the Executive and the Governors, I think that for the most part, the action that the Executive takes is fairly clear, and therefore, it can be inferred what decisions have been made. Reporting all executive votes would simply result in the Governors second guessing every decision made by the executive and doubling the size of the GL. Every summer, the Governors have the opportunity to hold the Executive accountable for it's actions. Making all votes immediately public would likely result in a lame duck executive, unwilling to make controversial decisions for fear of immediate reprisal.

John Puusa: The Board of Governors should be in the know as to what is going on as a matter of principle, not just as an automatic rubberstamp. Addressing President Cabanas' concern of confidentiality in certain areas, he makes some interesting comments. He and the current executive should draw up a list of criteria (based on his examples - GL#4 p.9) whereby an override clause could be enacted in exceptional cases to ensure confidentiality. In general though, the Governors must be kept in the know. As for the Executive being by-passed and matters being handled directly by the President alone as a matter of course, this diminution of democratic accountability would be counterproductive and likely lead to an incumbent President's ouster at the following Annual Meeting. If exceptions have to be made, let's spell them out in a manner which is obvious and reasonable. Kudos to Governor Taylor for suggesting 98-4.

Gordon Taylor: There have been a number of comments that so-called "confidential" motions by the Executive should not be communicated to the Board of Governors. If we agree on this then the intent of the motion is obliterated. Any decision by the Executive that is at all controversial will be classified as "confidential" and we'll only learn of the most banal decisions. The only situation where I can see this position as justifiable is with regard to salaries of Business Office employees. But these should be decided upon not by the Executive but by the Management Committee. It is the mandate of the Management Committee to negotiate these matters with the Business Office employees, and the "confidential details" can be left there. An Executive Motion in this regard should be simply to accept or reject the recommendations of the Management Committee. I would only expect to be informed that new salaries or other terms of employment had been decided upon by the Management Committee and the employees, not the specific details (which need not be part of the Executive Motion). In any case, I don't see a valid objection here.

Brad Thomson: Several individuals make a very good point when they suggest that certain matters must remain confidential. But executive votes pertaining to, say, the decision to expend more on a Canadian Closed than the rules call for, or whether or not to send a women's team to the Olympiad, and the like, must be made public. It is not sufficient for the President to call one member of the business office and tell him that a vote has taken place, and that \$6500 are to be spent, only to have that employee hear from two other members of the executive that they had never been asked to participate in such a vote.

Robert Webb: We are discussing a 'dress code' to make a more business like/professional relationship with a sponsor. Seems to me this is a step towards an 'ethics code' – and is more substantial and important.

1ST DISCUSSION OF STRAW VOTE 98-5

98-5 (Brad Thomson): Moved, that substantial revisions be made to By-Law Two, section 17, of the Handbook, along with a slight revision of item 4 of By-Law Three.

17. REPLACEMENT OF PRESIDENT

At any time, a governor may put forth a seconded motion calling for a vote of non-confidence in the President. The motion, and any explanatory comments on its behalf, shall be sent to the Business Office and published in the next Governors' Letter, provided that it does not arrive after the deadline, in which case the subsequent Governors' Letter shall publish the material. The motion and any commentary shall also be sent to the President directly, by registered mail, and must be received by him at least seven days prior to the deadline of the next Governors' Letter, otherwise the matter shall be settled in the immediately following Governors' Letter. The President shall be permitted the opportunity to defend himself against the motion by offering his own response. In that same Governors' Letter in which the motion, any commentary and any response by the President are published, the assembly shall be asked to vote on the matter. The President, as well as the mover and seconder of the motion shall not be allowed to cast a vote. In order for the motion to pass, at least half of the governors must cast votes, and at least two thirds of the votes cast that are not abstentions must be in favour of the motion, for it to take effect. When a President is removed from office, the rules in effect for cases when he for any reason is no longer in office shall take effect, and shall do so on the day immediately following the date of the deadline of the Governors' Letter that contains the vote. The Business Office shall inform the President alone of the results of the vote, if the motion has been defeated, but shall inform both the President and the Vice-President if the motion carries. A deposed President shall no longer be a member of the Executive or of the Board of Directors, though he shall retain his status as a governor.

Add the following sentence to item 4.

The one exception being any matters pursuant to By-Law Two, section 17, over which he shall have no authority.

Denis Allan: I am curious as to what the motivation for this motion might be. It is much too broad, allowing for impeachment proceedings that are simply vexatious, The

existing By-law, if not perfect, at least clearly sets out the grounds for replacement and limits them. A By-law which would allow for an impeachment discussion purely on policy or personal differences would be clearly wrong. An annual vote is quite sufficient to deal with differences of that nature.

Jonathan Berry: No. We have had zombie Presidents maybe 3 times in 50 years, but a common symptom was: no Governors' Letters. That would defeat Brad's idea. Brad, aren't you taking this too far? If we elect a zombie as President (one without his act together enough to sign a letter of resignation), and a zombie as Vice President, we can wait for the next annual meeting.

Lyle Craver: I'm not opposed to this motion but it needs to be re-worked into a formal proposal. The overall idea seems sound.

Roger Langen: I am not in favour of this change. The passage of 98-4 would help address the concern expressed in this Motion. But I am opposed for two reasons. The first concerns the interpretation of By-Law 3, Item 4, where it is supposed by the mover of the Motion that the President's "full power" to take action in the name of the Federation is unrestricted. But surely what is meant is executive action consistent with established policy, not the power to make new policy. This executive ability is a perfectly normal (and necessary) enablement to the office of president of an organization.

My other concern touches on a more general problem. As Berry-Stockhausen, Cabanas-Thomson, CFC-A&M, CFC-FQE (and now perhaps CFC-OCA) all attest, there seems to be a general lack of decorum and good will in our communications with each other. Perhaps the speed and efficiency of e-mail has made our first thought (or feeling) our only thought. We have time to reach a second person with another first thought, but not enough time to give the first person our second, and perhaps better, thought. The thickness of the Governors Letter these days seems due more to earnest yammering and insults than to careful discussion under the weight of business. In these circumstances, the passage of 98-5 would promote multiple impeachments of the President in every term.

But even in a more temperate environment: should we allow any Governor to move impeachment of the President? Or is By-Law 2 satisfactory as it is, giving the Vice-President that special power? I like the latter. Presumably the Vice-President would be acting on behalf of a concert of disaffection with a non-performing President, so that the appearance of an impeachment proceeding would depend on the building of a consensus. This is a more "contained" approach, giving to this process an air of seemly discretion, and to the offending President an opportunity to reform.

Ron Langill: I see no problem with improving the wording - hopefully we will never need to use these rules but it is important that the matter is covered should it be necessary. I stress that this is a response directly to the motion proposed and is in no way tied to the current allegations Mr. Thomson has raised concerning Mr. Cabanas.

David Ottosen: I do not think it is reasonable for each governor to have the power to call the President on a non-confidence vote. The governors see only a certain amount of what the President does, and the decisions made. I feel only a fellow member of the Executive could propose a reasonable non-confidence vote, because only a fellow member of the Executive has the ability to judge all the factors involved in the President's performance.

John Puusa: Governor Thomson has proposed an initiative which allows for increased input from and improved accountability to the Board of Governors. Were Governor Thomson's proposal to be enacted and used responsibly, it would become an important component of the checks-and-balances between the President, Vice-President, Executive and the Assembly (Board of Governors). I would be very interested to read other Governors' thoughts on the Thomson initiative.

Robert Webb: Same idea as in 98-4. Mr. Thomson's wording is well thought out and explained.

1ST DISCUSSION OF MOTION 98-6

98-6 (Martin Jaeger – Brad Thomson): Resolved that the Assembly of Governors regrets that the CFC-generated list of CFC-OCA members was made available for use in the mailing of the sales catalogues of a rival sales organization.

Francisco Cabanas: I am in favor of this motion. A strong support of this motion will also send a clear message to those people who are in positions of responsibility in the CFC (and that includes governors) that they have a duty to protect the interests of the CFC when dealing with other chess organizations. I must also add that in this particular case we are dealing not just with "a rival sales organization" but rather with an organization led by an individual who has had a long history of hostility towards the CFC dating back to the 1970's.

Lyle Craver: While I do not categorize the CFC or AEM as a "sales organization" it is clear that the rules of confidentiality that have been spelled out to the BCCF since the days nearly 10 years ago (when we received our list on 5.25" diskettes - it wasn't a free service in those days either!) were not spelled out to the OCA.

Certainly any time the BCCF has gotten our list it has always been clear that the list was for the exclusive use of our Executive and under no circumstances was the list to be released freely or for financial gain to third parties. (This was re-emphasized amidst much ranting and raving when a past president - who knew the rules - gave our list to the Washington State Chess Federation some years back) It is with astonishment I find the OCA did not get the same speech from the Business Office! I'm not sure whether the OCA Executive or the Business Office most deserves censure but there's no doubt the whole affair has been regrettable.

The second AEM mailing to the Ontario membership is clearly something of interest to both the CFC and OCA and I hope they are able to get to the bottom of this and report to the Governors exactly what happened.

So - an unqualified yes to 98-6 despite my misgivings about the use of the term "sales organization" which I do not believe either the CFC or AEM fundamentally is.

Roger Langen: As the OCA President, Dan Majstorovic, has made clear, the OCA was not involved in the dispatch of the OCA mailing list to (via an individual party) Chess & Math. The source was none other than the CFC itself. The Business Office might wish to query the individual party concerned, but as there was no official breach at any level - CFC, OCA, GTCL - I am not sure an official regret, let alone a "policy change", is required.

I might add that the precise details of what actually did occur was communicated to a member of the CFC Executive in January. Why is this a concern in April?

David Ottosen: I am not sure. While the mailing would have a negative impact on the CFC book selling business, the fact that a mailing from the OCA and GTCL was included would likely have a positive impact on CFC membership and tournament participation. It seems as though the OCA was working in conjunction with the AEM to get some "free" advertising; I would hope that since the CFC is providing a superior level of service that the CFC would not mind the short term impact on book sales, while welcoming the longer term impact of membership and activity growth.

John Puusa: I think that Governor Jaeger has eloquently expressed the problem at hand and I support his initiative. As a non-profit organization, the CFC must be concerned about the state of its finances. I look forward to comments from Governors Knox, Majstorovic and Vujosevic respectively.

Robert Webb: This is news to me. I did not receive said mailing, and I am a life member of the OCA and on the executive of the EOCA. Hmmm.

1ST DISCUSSION OF STRAW VOTE 98-7

98-7 (Jonathan Berry): To restructure CFC finances so that:

- 1 -- a portion of each CFC membership is credited to the Provincial Association of the province in which the member resides;
- 2 -- CFC no longer pays for national championships or international expenses from general revenues, but from entry fees (to the Canadian Junior, Cadet, Closed, Women's Championship, Olympiad Teams, Interzonals etc)
- 3 -- That provincial associations be encouraged to pay for (2) with (1).

Francisco Cabanas: I am opposed to this. This is in fact an attempt to revive a policy that has failed miserably. The first question here is whether Canada is a country? If the answer is yes then the CFC has both responsibility for all Canadian Chess Players and the right to organize and promote chess anywhere in Canada. If we choose not to organize and promote chess to a significant degree in any particular part of Canada (a practice that is very questionable), that does take away our responsibilities. There is little point in setting

up insurance syndicates between organizers in Prince Edward Island and the Yukon Territory in order to avoid following our constitutional mandate.

Lyle Craver: I'd be interested in seeing what Mr Berry has in mind with this straw vote. At first blush it appears to be advocating a return to the CFC-FQE wars of the 70s and 80s which knowing Mr Berry's views seems improbable. Let's get some more details. I don't remember anything remotely like this during BC's non-affiliation period yet it didn't stop Biyiasas from becoming Canadian Champion.

CERTAINLY the current system is better if all the provinces opt in - but Mr Berry of all people should know the current situation and how things came to this pass. (Which in my view owes far more to Quebec nationalism than anything that has ever taken place at the Governors or in the Business Office either in Mr Berry's time there or subsequently)

Martin Jaeger: With the 1996 Annual Meeting papers a Governor expressed the view that my expressed views on CFC finance were a barrier to reaching an agreement with the FQE. I have not expressed my views in the Governors' letter since then but unfortunately the sought after agreement has not been reached. I hope that under these circumstances the Governor will not object to me commenting on 98-7

The idea of transferring expenditure from the CFC to the provincial associations as a means of generating a better balance of support and benefits is a good one. I would suggest however that collecting funds as a proxy for the provincial associations is not as good an idea as leaving "tax room" and letting provincial associations do as they like.

This said, the solution leaves a problem unsolved. How does one obtain fair representation at national championships where there is not a fully integrated rating system? Given that FIDE has abandoned the round robin interzonals and that the FIDE championship playdowns are now matches, I believe that we should reform our system to provide a preliminary Swiss (open to all with a reasonably low threshold and allowing entry based on FQE ratings) with the top four finishers entering a match series (2 games in semifinals, 4 in finals) to determine the Canadian Champion.

Such a format could also serve as a trial for team eligibility. The top 4 would all be eligible for the team and the next 4 finishers would play a double round robin to determine order of eligibility. The recommended format would take no longer than the present Closed, would eliminate problems of eligibility and would eliminate also runs after one week rather than 2, just as does the world championships. I believe further that concurrently with the second week matches the CFC should run a FIDE rated futurity so that players who came to the Closed wanting to play 2 weeks would be accommodated.

Note that under this suggestion the organizer of the Closed would no longer be responsible for lodging but should I think make an effort to facilitate billeting.

In line with Berry's recommendation we would no longer have people being chosen as Canadian representatives. Rather they would become eligible to be the representative and funding would still have to be found from their provincial federation and from donors. I would suggest that the Olympic fund would still be conducted but now

donors could choose to designate (if they wished) the province to which the donation should flow.

It is now 4 years since the CFC took the path of funding all players regardless of support by their province. CFC dues levels are now 32% higher than they were before the decision and even so the state of CFC finance is such that we will not fund a women's team. I also fear that the failure to publish a 6 month income and balance sheet statement is ominous. These facts and the failure to reach an agreement with the FQE demonstrates the timeliness of the Berry proposal.

Roger Langen: There is a good deal of complication and politics in this Motion, and I look forward to the discussion it will generate. It appears rational with respect to requiring the FQE to pay its fair share of costs for players mandated to Canadian and international events.

Some questions arise: Would it not perhaps be simpler to stipulate that a province that has "opted out" of the CFC must pay for its right of representation at national/international events? Is a structural change affecting all provinces necessary? How feasible is an insurance scheme for "opters in"?

My other hesitation is that the measure proposed has the appearance of trying (fairly) to inconvenience Quebec. Do we want to continue this direction in our, so far, continuing unhappy attempts to mend the CFC-FQE split? I responded to the FQE "Future of Chess in Canada" document with the suggestion that, while anglophone support for a separate Olympic team for Quebec was a non-starter, support for the recognition of the FQE as a parallel Canadian chess authority (covering all francophone Canada, not just Quebec) was worth a look. This would resolve the above and other funding concerns (and some psychological ones as well) in quite a different way, both more positive and more realistic. As matters stand, the FQE is self-sufficient and strong; the attempt to reduce it back to mere provincial status (except where representation at national events is concerned; no different from Ontario in that regard) is doomed. The reason is language, not sovereignty aspiration. Canada is "bi-national" in this sense, with dual organizations to meet legitimate other-language needs in most spheres of activity. Why not - in cooperation - chess also?

Still, I believe that the Motion proposed has merit, independent even of the FQE concern.

Ron Langill: Let's fix the problem, not the blame. I see no reason to dwell on what has already happened and whether we regret it or not. Instead of looking for a mandate for another motion, why not just propose a solution now as a straw vote and see how it flies?

David Ottosen: If I understand this idea entirely (and it is not clear to me that I do), this changes the current system of the larger provinces subsidizing smaller provinces to each province being left to fend for itself, with the possibility of "perhaps banding together". While this might be beneficial to a large and financially healthy province like Alberta, I think the long term effects would be to kill any and all national participation from provinces with smaller CFC membership bases (such as the Maritimes, Saskatchewan, or

Manitoba) if they did not form this partnership. If this is the case, then I am against this idea.

John Puusa: Governor Berry has presented an interesting alternative funding system which merits serious debate and discussion. It sounds great in theory but would all the provinces opt in?

Robert Webb: As Alf used to say on T.V. "interesting concept". Will look forward to others comments before saying more.

GENERAL COMMENTS

Lyle Craver: President's Message: Given the FQE missive it is clear the FQE has not only implicitly rejected 97-10 by their failure to accept it but explicitly by their letter to the governors re-iterated their original discredited demands. Much as I hoped something good would come of this approach, it is now clear that there is no good faith intention on the FQE's part to reach a deal.

Accordingly let us with a minimum of recriminations move on to fulfill the CFC's mandate in all 10 provinces and both territories.

[The Cabanas / Thompson feud doesn't really interest me since regardless of whether Mr Cabanas presented to the Governors the deal authorized by the CFC and FQE Executives, the FQE has utterly rejected it. End of story.]

As for the AEM we in BC has never stopped fulfilling our mandate towards the juniors. The President DOES make a good point concerning the AEM involvement in the Ligue d'Echecs de Montreal. We in BC are still waiting (after more than a year) for Mr Bevand to show us the financial statements he promised us.

To Mr Berry: I'd be interested in getting more details on Ray Kerr's pairing system. To the best of my knowledge, FIDE has NEVER failed to rate any event for reasons relating to pairings (and very seldom for any other reason). Certainly I do not know of any otherwise-qualified North American event refused rating by FIDE for any reason over the last 25 years.

Mr Brown seems unfamiliar with past dealings with the FQE and the AEM. I don't think anyone really wants to "crush" anyone, but vast amounts of Governor time and effort have gone into dealings with these organizations through the years at the expense of our main mandate. The FQE currently refuses negotiations except on a basis of abject surrender BEFORE negotiations and a refusal to acknowledge their involvement in the negotiations that led to motion 97-10. (Can the President confirm my belief that no definitive French-language text of the 97-10 agreement was EVER produced by the FQE? This was after all one of the things they agreed to in Hull) Similarly Mr Bevand sought to buy the CFC's book and equipment business on terms any CFC Executive would be impeached if they ever accepted it.

In other words, the meetings Mr Brown would like with Messrs Beaudoin and Bevand have indeed already taken place. I'm not opposed to further meetings with either but I'm not aware either wishes meetings at present.

Mr Langen suggests Larry Bevand is prepared to release their database for "players who attain a certain rating". This appears to be a new development given his previous antagonism to running events rated both by the CFC and AEM. Can he provide details of what the 'certain rating' is? While I'd be in favor of a ratings merger, I'd be opposed to a business relationship at least on anything like the terms previously proposed by Mr Bevand. I do think Mr Langen is being naive in his suggestion that AEM's interests simply involved children in grades 1-8; I'd additional point out he is being naive in equating the two agendas of AEM and IBM. Deep Blue notwithstanding, it's insane to claim chess is anywhere near as important to IBM as it is to AEM.

Martin Jaeger: Re Canadian Open Sectioning question. As Berry suggests Hyperacceleration is a means of increasing the number of games (as compare to non hyperacceleration) played between strong players and so facilitate the earning of a norm consistent with the elegance of a one section tourney. The system was used (as Berry points out) for Toronto 1976 and did generate many high level games.

Briefly put, the system involved giving segments of the entrants 3, 2, 1 and 0 shadow points and removing them after the fourth. This of course shielded players who received low shadow points but had perfect records from playing the top players before round five. (One player, I recall had a rating in the 1400 range and over the first 4 rounds had a performance rating over 2200!) The tendency for such things to occur is of course greater for a large money tournament and it should be recalled that the 1976 event had (in 1998 dollars) an aggregate prize fund approaching \$50,000.

This level of shielding is undesirable and I think should be counteracted by adjusting shadow points assigned upward for rounds 3 and 4 for people who have beaten or drawn with a higher shadow pointed player. I also believe that "fish feeding" should occur in round 5. That is, any player who has a perfect score but was originally shadow pointed less than 3 should in round 5, play a person who was shadow pointed 3 originally.

A further finesse that should be employed is in my view, that for round 2 only those who draw in round 1 should be paired as an integral part of the full point group beneath. (This eliminates the possibility that top shadow pointed players knocking themselves out in round 2.)

This system will work and bring about the earning of norms. However the Canadian Open will still suffer in attendance because of its length and the consequent expenses of participation for out-of-towners as compared to a 3 or 4 day event. This too can be countered – but that is another story.

Ron Langill: As far as Chess N Math goes, I think we should focus on what WE are doing since we have no control over what they do. Any good salesman knows that success comes not from putting down a competitor but from promoting yourself.

In regards to the 12% Ontario sales decrease, is this compared to pre-Christmas sales (not a fair comparison) or compared to the same period last year (a fair comparison)? This number is relative to what kind of sales across Canada?

The biggest question is if the CFC prices are so competitive, how can the distribution of one flyer cause the decrease it is implicated to have caused? I think the answer lies in one word - marketing. I personally know of a gentleman who in the past offered both C&M and the CFC free distribution of a one page flyer. C&M responded positively and insisted on picking up some of the cost - my understanding is the CFC either didn't respond or responded negatively. When the Ontario Open was held in Kitchener, C&M had a booth there - no such request came from the CFC. Loyalties aside, when a player sees an interesting book on the table, immediately available, he is not going to take the time to go home and compare prices or check availability from another location. Again, this is not meant to point out blame, but to put forth the idea that we have to look at what the CFC can do to promote itself. Can flyers be sent to clubs every so often? Can the CFC be a presence at more of the major tournaments? McDonald's didn't get to be #1 through the taste of their burgers, but through advertising and good locations. While I realize we don't have the budget to be really aggressive, I think we should look for opportunities and keep some kind of promotional material handy for any organizers who request it.

Maurice Smith: Comments on Roger Langen's response to President's Message

Roger mentioned my name in his comments about the C.F.C. and Chess N'Math. It is true that that we had been corresponding on this issue, but our views are nowhere near the same. In their rush to embrace Chess N'Math there are a few Toronto area Governors who conveniently forget two key points. The first one is that Chess N'Math is a direct competitor to the C.F.C. The second one is that the Governors ARE Governors. To explain the first point further, every time that Chess N'Math sell a book or equipment it is less money for the C.F.C. The two organizations certainly have a right to compete, but the Directors of one organization should not support the other organization at the expense of its own. Which brings us to the second point. The Governors of the C.F.C. decide on policies and procedures, define its constitution and make decisions of major importance. Therefore, they are in effect very similar to a Board of Directors. They have a direct responsibility to support the C.F.C. and this responsibility should not be turned on and off like a tap whenever it suits them. Any Governor who supports a competitor at the expense of the C.F.C. is guilty of a conflict of interest.

The C.F.C. is trying to expand and become a full service organization for all its members. One way is to offer fair prices for all its products and the same prices right across the Country. The other organization does not do this. We are now developing a scholastic program after many years of people saying that the C.F.C. should be in junior chess. These programs should be encouraged and supported by all its members and of course especially our Governors.

I must emphasize that most Toronto Governors are aware of their responsibilities and do fully support the C.F.C. I believe that even those that have been outspoken in their support for Chess N 'Math will realize that as a Governor, aiding the competition only hurts your own organization, and is a stab in the back for the volunteers that

have worked so hard over the years to build it into a National chess organization for all people in Canada.

Gordon Taylor: Discussion of Motion 98-1: Naturally I was disappointed to see this motion fail for lack of a quorum. Disappointed but not surprised. Otherwise, I was pleased to see the almost unanimous support it received. The present reality would seem to be that the Governor's Letter is not effective as regards amendments to the CFC Constitution or By-Laws. It seems that the only way this motion can be passed is at the Annual Meeting. Accordingly I here now give notice that I wish to have this same motion brought before the Outgoing Assembly of the Board at the next Annual Meeting, as per section 3 (a) of By-Law Number Three:

Moved (Taylor/Burgess) that Section 10 of By-Law #2 of the CFC be amended by replacing "Past President" with "Immediate Past President".

The difference, you see, is that at the Annual Meeting this motion will only require a two-thirds vote of those Governors represented (either in person or by proxy), as opposed to two-thirds of the 70 odd actual Governors.

As an aside, I really don't know why the "at least one-half of the number of votes eligible to be cast has been received" appears in section 3 (b) of By-Law Number Three. The forum of the Governors' Letter seems to be doing a good job of reaching all the governors. So if we have a motion to amend the constitution or by-law it will receive their attention. If such a motion gets a two-thirds majority why should it not pass? If less than half the governors vote it is probably because those who didn't vote considered the amendment to be inconsequential. I hardly think it possible to "sneak" an amendment past the Board when it is presented in the GL!

Brad Thomson: With respect to the *President's Message*, does it come as any surprise that the FQE has chosen not to ratify their equivalent of our motion 97-10? We have yet another example of this rival, hostile and completely dishonest federation's typical pattern of behaviour, which pattern has existed for years and years. The simple truth of the matter is that the FQE refuses to bargain in good faith. They cannot possibly be trusted. As a result, the CFC shouldn't even consider giving them the time of day, let alone anything related to chess. Thus, I am in full agreement with Mr. Cabañas when he states that he is opposed to abetting in the FQE's attempts to achieve independent nation status within FIDE. I do disagree, however, when the President states that we should remain "open to cooperation with the FQE." I also disagree with his contention that there is a large potential for the CFC in Quebec. The Outaouais tournament is small potatoes. It must be recognized that the region across the river from Ottawa is the only significantly populated area on the entire Ontario-Quebec border, and further, that it is a region wherein separatist sentiments run very low. Perhaps modest inroads could be accomplished by having more than one such event per year, but apart from this, the CFC has little capacity for influence in the province of Quebec. Our potential, then, is quite limited. Until such time as a complete altering of attitudes on the part of the

FQE is demonstrated, we should stop wasting our time on them and concentrate more of our energies upon the loyal member provinces who are far more deserving of our attention.

It is pleasing to see that the current executive has abided by section 1202 and decided not to send a women's team to the next Olympiad. And the President is absolutely correct when he suggests that we require a clear policy in this area. For it will be recalled that a women's team was sent to the 1996 Olympiad, despite the written suggestion of the business office, which was unanimously supported by the employees, to the effect that we couldn't afford it at the time. Indeed, our current financial picture would not be so wretched had the executive been in possession of the wisdom to listen to the business office opinion, which was (and always will be) more educated than their own.

The issue of what I deem to be the President's irresponsible behaviour with respect to 97-10 has been bandied about considerably, and I shall not labour upon it further. I accused him of being a liar and he denied it. Ultimately it's my word against his, since it is unlikely that the CIA secretly recorded the phone conversation in question. But on a related matter, while I am pleased that Mr. Quiring has revealed the fact that he was contacted and did vote on the matter of the 1996 Closed, I am equally dismayed that the President has not done so, despite the fact that he said he would, once Mr. Farges was given a chance to comment. Since Mr. Farges has had not one, but two chances, and since we have yet to hear from Mr. Cabañas on the issue, then, unless I completely misunderstand the definition of the term liar...

On another matter, the President accuses me of not having the decency to mention the name of Mr. Bowerman when I called for the resignation of governors who were playing in the Canadian Open, not working, and yet chose not to attend the annual meeting. I thank Mr. Cabañas from the bottom of my heart for mentioning the name of Mr. Bowerman, for I had no idea that he too fit into this category. The only persons I was aware of before this time were Mr. Neven, who has resigned, and Mr. Huczek, whom to my knowledge has not. It had been my intention to keep the names of these individuals anonymous, just in case they had a very good excuse for their lack of attendance, but since the President has not seen fit to exercise such discretion, I have been left with no choice but to mention the names of the other parties involved. For it would not have been fair to Mr. Bowerman to have the President babble out his name, and then leave the identities of the others unrevealed.

Finally, with respect to the President, I wish to thank him for putting in two years at the helm of the CFC. It is a difficult and often thankless task. People are always willing to criticize, but are rarely forthcoming with praise when due. I have certainly been vocal in my assaults against Mr. Cabañas, but I have also seen fit to praise him when I felt him to be doing something proper and beneficial. Despite my attacks, he has carefully considered my straw vote motions with respect to women, and a dress code. His thoughts were well intentioned and added considerably to the clarification of the issues. It is clear that the President and myself do not see eye to eye, and neither of us are without our faults, but chess is a difficult business and I trust

that both of us continually have our hearts in it, if not always our intellects.

Should 97-3 fail, I would be prepared to second Jonathan Berry's suggestion that all women's programs be replaced with a financial incentive for the first women to achieve a rating of 2450 or better. And speaking of the eloquent Mr. Berry, I must say that I am in agreement with all of his comments with respect to norms at Canadian Opens, and the misleading nature that the advertizing of such norms can have. But I adamantly disagree with Jonathan when he suggests that the fact that players don't show up for simul with a grandmaster is an argument that they wouldn't like to play one in a real game. You see my dear fellow, deep, yes very deep inside the feeble and foolish aspirations of we mortals lies the faintest of absurd and improbable hopes that we might just take the dude off, or perhaps fluke out a draw. But the point is, who cares if we do this when the guy's playing thirty people at once? I was fortunate enough to beat Deen Hergott in a simul a few years back, and I once beat Nickoloff in a blitz game - but so what? Do it in 40/2 and you've got something to brag about! And even if we lose, which we almost certainly will, the fact remains that we played a *real* game with a grandmaster, and not an exhibition match.

NEW MOTION

98-8 (Dan Majstorovic – Roger Langen) That the mandate and powers of the Olympic selection committee be reviewed; and should these be found redundant to, or in conflict with, the rules which exist for Olympic selection, that the Olympic selection committee be abolished. If, on the other hand, it is agreed that the committee is compliant with the rules, yet useful in overseeing their application, then let that be clear.

Roger Langen: A concern has been raised in our Ontario group over the prerogative power of the Olympic selection committee. Therefore, in the interest of obtaining clarification about the need for this committee where clear rules already exist for Olympic selection, I will be seconding a Motion by Dan Majstorovic.

NEW MOTION

98-9 (Francisco Cabañas-Hugh Brodie) Moved That the following changes be made to the CFC handbook.

Replace 714b with the following

714 b)

For players with established ratings the new rating is

$$R_n = R_o + 32 \times (S - S_x)$$

In applying this equation to players of 2199 or over, change 32 to 16. For players who start an event below 2199 and then in the event go above 2199 the gains are computed normally,

namely with 32 in 714b and then the increase over 2199 is cut in half.

Where

R_n is the post event (new) rating before the application of bonus or participation points

R_o is the pre event (old) rating

S is the score

S_x is the expected score. This is determined by the following table to two significant figures (a more accurate determination of the expected score may be used in the actual calculation):

Rating Difference	Expected score per game	
	High	Low
0--3	.50	.50
4--10	.51	.49
11--17	.52	.48
18--25	.53	.47
26--32	.54	.46
33--39	.55	.45
40--46	.56	.44
47--53	.57	.43
54--61	.58	.42
62--68	.59	.41
69--76	.60	.40
77--83	.61	.39
84--91	.62	.38
92--98	.63	.37
99--106	.64	.36
107--113	.65	.35
114--121	.66	.34
122--129	.67	.33
130--137	.68	.32
138--145	.69	.31
146--153	.70	.30
154--162	.71	.29
163--170	.72	.28
171--179	.73	.27
180--188	.74	.26
189--197	.75	.25
198--206	.76	.24
207--215	.77	.23
216--225	.78	.22
226--235	.79	.21
236--245	.80	.20
246--256	.81	.19
257--267	.82	.18
268--278	.83	.17
279--290	.84	.16
291--302	.85	.15
303--315	.86	.14
316--328	.87	.13
329--344	.88	.12
345--357	.89	.11
358--374	.90	.10
375--391	.91	.09
392--411	.92	.08
412--432	.93	.07
433--456	.94	.06

457--484	.95	.05
485--517	.96	.04
518--559	.97	.03
560--619	.98	.02
620--734	.99	.01
735 and over	1.00	.00

The other changes are as follows replace 714c with the following

714c) Except for players with provisional ratings or players who meet the conditions for applying Regulation 716, bonus points are awarded in tournaments with 4 or more rounds actually played according to the following rules.

Definitions:

- i) Rl is 24 points for 4 rounds and 2 points higher for each additional round
- ii) $Rt = (Rn - Ro) - Rl$
- iii) Rk is the peak rating before the tournament
- iv) Rp is the performance rating determined by Equation 714a

The number of bonus points Rb is calculated as follows:

- i) $Rb = 0$ if Rn is greater than or equal to 1999 or if $Rn + Rt$ is less than or equal to Rk
- ii) $Rb =$ the lesser of: Rt , $1999 - Rn$, $Rp - Rn$, $Rn + Rt - Rk$.

Delete 714d, e and f (714g has already been deleted) and add a new 714d as follows:

714d) In addition, participation points, Ra1 and Ra2, are awarded as follows:

- i) $Ra1 = 0$ if $Rn + Rb$ (or Rp for provisionally rated players) is greater than or equal to 1799
- ii) $Ra1 =$ The lesser of: $1799 - (Rn + Rb)$ [or $1799 - Rp$] and 1 point per game played against an opponent who is a junior, and unrated player, or a provisionally rated player. If the opponent is both a junior and either an unrated or provisionally rated player 2 points per game
- iii) $Ra2 = 0$ if $Rn + Rb + Ra1$ (or $Rp + Ra1$ for provisionally rated players) is greater than or equal to 1599
- iv) $Ra2 =$ The lesser of $1599 - (Rn + Rb + Ra1)$ [or $1599 - (Rp + Ra1)$] and 1 point per game played against an opponent who is a junior, an unrated player, or a provisionally rated player. If the opponent is both a junior and either an unrated or provisionally rated player 2 points per game

Delete "Exception: when regulation 716b is applied, equation 714a is used" from 715

Add 716a), 716b), and 716c)

716a) If a post tournament player's rating (including any participation and bonus points) is less than 800, and the player had a permanent rating before the tournament greater than 799, the player is entered in the rating list at 799.

716b) If a post tournament player's rating (including any participation and bonus points) is less than 800, and the player had a permanent rating before the tournament less than or equal to 799, the player is entered in the rating list at the greater of the player's pre and post tournament ratings.

716c) If a post tournament player's rating (including any participation and bonus points) is less than 200, the player is entered in the rating list at 200. This applies to both provisional and permanent ratings.

Replace "1200" by "800" in 717

Discussion (Cabañas) The main purpose of this motion is to bring the CFC rating system in line with the formulas used by FIDE, the USCF and the FQE. We must first look at CFC bulletin number 1 (November-December 1973) in the report of Dr. Malcolm Collins the CFC rating auditor at the time. The current CFC system corresponds to the solid line in his report while the FQE, USCF and FIDE systems correspond to the dashed line in his report. I will reproduce the following quote from his report:

"It would be possible to use a rating system based on the dashed line in the figure, but it would take much longer for the statistician to perform the calculations so that the cost of running the system would be greatly increased (perhaps doubled). Only if the CFC goes to the use of a computer to calculate ratings would it become a practical proposition to use the dashed line for calculations"

The decision at the time to use an approximation was a cost saving measure in order to save staff time since the ratings were then calculated by hand. This is no longer appropriate since the ratings are now calculated by computer.

I have also included changes to address the following issues:

Remove inflationary policies for strong players by removing bonus point for experts (keep in mind that the masters "feed" on inflated experts particularly in sectionalized events) and removing the rule where a player does not lose rating points if s/he come first.

Minimizing the fluctuations for all masters not just those over 2300

Preventing the gain of bonus points by the simple fluctuation of a player's rating without an increase in strength over time.

Targeting participation points to players who play opponents who are statistically underrated.

Preventing the situation where a player with a lower rating can end up ahead of a player with a higher rating after the same performance. This is actually possible now in very long events (15-20 rounds etc).

Address the problem of negative ratings (this actually happened in BC! One player ended up with a rating of -19)

Recognizing the fact that there are many players below 800 (particularly juniors) who improve just by experience. This is a very significant deflationary pressure.

Delete a rule 711.3, that has no real purpose today.

NOTICE OF COSTITUTIONAL AMENDMENT

98-10 Moved (Cabañas-Brodie)

To add section 10 to Bylaw 1 of the constitution as follows:

LANGUAGE MEMBERSHIP

10. Any person resident in a province or territory of Canada where the laws of that province or territory do not recognise as an official language any of language(s) in which the magazine is published may join the CFC at the at a rate 50% of the ordinary membership rate. Such a member will enjoy all rights and privileges of CFC membership except that they will not receive the magazine.

And to renumber the existing sections 10 through 16 of bylaw 1 of the constitution as sections 11 through 17.

Discussion (Cabañas). This motion currently only applies to residents of the Province of Quebec, since Quebec is the only Province in Canada recognizes French as the sole official language for the Province, while the other Provinces and Territories recognize English as one of their official languages, and the CFC currently only publishes the magazine in English. It could in the future also apply for example to Nunavut if English is not recognized as an official language there by the territorial government. If the CFC were to publish a French or a Bilingual English and French magazine in the future then this membership would also not apply to Quebec. There is little point in the CFC requiring players in Quebec to purchase a magazine in English as a condition of obtaining other services from the CFC such as for example books and equipment, or participating in tournaments at members rates.

CHESS FEDERATION OF CANADA
Balance Sheet
as at April 30, 1998

ASSETS		
CURRENT ASSETS	1998	1997
Cash	\$15,883	\$31,068
Accounts Receivable (Note 3)	7,752	8,330
Inventories (Note 4)	<u>93,819</u>	<u>88,539</u>
	<u>117,454</u>	<u>127,937</u>
FIXED ASSETS		
Land & Building (Note 5)	110,607	115,215
Furniture & Equipment (Note 5)	<u>10,521</u>	<u>14,886</u>
Total Depreciable Assets	121,128	130,101
Other (Library Donation)	<u>2,790</u>	<u>2,790</u>
	<u>123,918</u>	<u>132,891</u>
Total Assets	<u>241,372</u>	<u>260,828</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$17,016	13,223
Special Funds (Note 6)	6,429	3,702
Unearned Revenue (Note 2)	<u>43,472</u>	<u>46,811</u>
	66,917	63,736
EQUITY		
Retained Earnings	<u>174,455</u>	<u>197,092</u>
	<u>241,372</u>	<u>260,828</u>

CHESS FEDERATION OF CANADA
INCOME STATEMENT AND RETAINED EARNINGS

For the Year Ended April 30, 1998

REVENUE	1998	1997
Sales of Books and Equipment	\$206,967	217,160
Less Cost of Goods Sold	<u>(141,408)</u>	<u>(142,695)</u>
Gross Profit	65,559	74,465
Membership Revenue	85,622	84,314
Interest from Foundation	7,142	4,979
Rating Fees	21,487	25,674
Other Interest Earned		217
Other Revenue	<u>13,651</u>	<u>9,949</u>
TOTAL REVENUE	193,461	199,598
EXPENSES		
General & Administrative:		
Salaries & Benefits	79,438	78,874
Building & Equipment Expense	20,240	19,650
Office Expense	48,932	41,243
Other Executive & Admin. Expenses	<u>2,836</u>	<u>3,031</u>
Total General & Admin. Expenses	151,446	142,798
Program Expenses		
Publications	36,373	35,286
International Programs	11,372	20,216
National Programs	<u>16,907</u>	<u>10,536</u>
Total Program Expenses	64,652	66,038
Total Expenses	216,098	208,836
NET INCOME (LOSS) FOR THE PERIOD	(22,637)	(9,238)
RETAINED EARNINGS BEGINNING OF PERIOD	<u>197,092</u>	<u>206,330</u>
RETAINED EARNINGS END OF PERIOD	<u>\$174,455</u>	<u>\$197,092</u>

1. BACKGROUND

The Chess Federation of Canada was Incorporated without Share Capital under part II of the Canada Corporations act. The Chess Federation of Canada is registered with Revenue Canada as a Charitable Organization.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles and reflect the following policies:

INVENTORY

Inventories are valued at the lower of cost and realizable value.

FIXED ASSETS

Fixed assets are valued at cost, net of accumulated depreciation, calculated on a declining balance.

UNEARNED REVENUE

Unearned revenue represents the unexpired portion of membership fee paid during the fiscal period.

3. ACCOUNTS RECEIVABLE

	1998	1997
Total Receivable	\$8,153	\$11,886
Less: Allowance for Doubtful Accounts	<u>(401)</u>	<u>(3,556)</u>
Net Receivables	<u>\$7,752</u>	<u>\$ 8,330</u>

4. INVENTORY

	1998	1997
Books	\$29,843	\$35,506
Equipment	\$60,614	\$48,236
Computer & Software	<u>\$3,362</u>	<u>\$4,797</u>
	<u>\$93,819</u>	<u>\$88,539</u>

5. FIXED ASSETS

	Cost	Accumulated	Rate	1998	1997
	DEPRECIATION			NET CAPITAL	NET CAPITAL
Building	\$162,852	\$52,245	4%	\$110,607	\$115,215
Furniture & Equipment	19,845	16,475	20%	3,370	4,213
Computer Equipment	<u>45,831</u>	<u>38,681</u>	33%	<u>7,150</u>	<u>10,673</u>
Total Furniture & Computer	<u>65,676</u>	<u>55,156</u>		<u>10,520</u>	<u>14,886</u>
	<u>\$228,528</u>	<u>\$107,401</u>		<u>\$121,127</u>	<u>\$130,101</u>

6. SPECIAL FUNDS

	1998	1997
Donations	\$770	\$634
Olympic Fund	\$5,580	\$3,068
Pugi Fund	<u>79</u>	<u></u>
	<u>\$6,429</u>	<u>\$3,702</u>

The Olympic Fund was established to raise monies to provide financial support for participation of Canadian representatives in the International Chess Olympiads. The Pugi Fund was established to provide travel assistance for juniors to improve their chess skills.

7. CHESS FOUNDATION OF CANADA

The Chess Foundation of Canada was organized in 1960 as a mechanism to generate a stable source of revenue for the Chess Federation of Canada. Its capital comes from life memberships in the Federation. Money accumulated is never spent. However, all interest earned from investments is turned over to the Federation at the end of each fiscal year, April 30th. The Unearned Revenue portion represents an estimate of the liability of the Federation to its current members.

**Auditor's Report
For the year ending April 30, 1998**

May 22, 1998

To the Governors of the Chess Federation of Canada

1. Opinion on Financial Statements:

I am satisfied that the financial statements present fairly the financial position of the CFC.

This opinion is based on testing and reviews that I considered necessary in the circumstances. Once again I have left my original working papers at the office for reference purposes. One test that is normally done is to have bank confirmations done. I have rejected this because I considered a review of the bank reconciliations adequate.

I attended the inventory count this year and was satisfied that the count was taken accurately.

Overall I was very happy with the state of the records and had a trouble-free audit. I would like to bring the following matters to your attention and discuss certain items in more detail.

2. Report on Other Matters:

I reviewed the past years Governor's Letters as part of my background work. I shall try to respond to everyone's questions in the body of this report.

Am I the Chess and Math Auditor also? (P. Haley GL-1)

I am not nor was I ever the Auditor for Chess and Math. Larry Bevand asked me if I was interested once, but after I quoted my rates, nothing further happened. However, I have been working for Chess and Math as a chess instructor for the last five years.

"...we could become slaves to the budget.." (G. Taylor GL-1, page 9)

Well hopefully not! The budget is basically a planning tool. An organization must be aware of its resources (or the limitations of) and have an idea of the consequences of its actions. Budgeting gets a bad rap as it's painful and dreary (and often associated with accountants).

This is good lead-in to my first topic,

Project Evaluation (a budgeting subplot)

Let's consider the practical side to budgets using this example project. I would like to illustrate a method of project assessment.

Sample project

The Governors allocated \$4,000 (AGM July 15, 1997: Item 11, Other Business) to the "Abe Yanofsky book" project. If I were being asked to vote on this project, I suggest that the following format be used to present information.

Project Name:	Abe Yanofsky Book
Fiscal Year:	1998-99
Financial Impact:	
Revenues:	\$2,000
Cost:	<u>\$4,000</u>
Net Financial Impact:	(\$2,000)
Other CFC Resources required:	None
Project Proposer:	Yves Farges (Sorry Yves, I'm not picking on you. It's just an illustrative example)

I've paraphrased what I read in the GL a bit and added some **fictional content**.

Description:

\$4,000 is requested for the completion of a book covering the career of Abe Yanofsky. The book is needs substantial editing work before it will be ready for printing.

Discussion:

Per Francisco Cabanas, Yves Farges has agreed to guarantee the cost of printing provided he can choose the printer.

Pros: The topic is of historical importance.

Cons: The book has limited commercial appeal and will likely lose \$2,000 over a two-year time period.

Financial Impact:

Assumptions:

Unit sales price of \$20

The Most likely units sales are for a 2-year period and are estimated by Tom O'Donnell. The Pessimistic estimate is give by myself.

	<u>Pessimistic</u>	<u>Optimistic</u>	<u>Most Likely</u>
Expected Sales (Units):	50	250	100
Expected Sales(\$):	1,000	5,000	2,000
Cost(\$):	4,000	4,000	4,000
Profit/(Loss)	<u>\$(3,000)</u>	<u>\$1,000</u>	<u>\$(2,000)</u>

How should this project be evaluated?

The following questions should be an integral part of the evaluation process.

1. What's the financial condition of the CFC?
2. What's our unallocated free balance for 1998-99, the year in question?
3. What's our outlook in the immediate future, 2-3 years?

For step 2, we need a budget! Let us suppose we have an unallocated free balance of \$50,000 (we don't), this project looks like a shoo-in. However, what if we have an Olympiad on Mars(just imagine here) that will cost \$60,000 in 1999-2000, then of course this project becomes problematic.

At the start of each operating cycle, Governors need to aware of

1. The actual financial condition of the CFC. (The Treasurer's role)
2. The free balance that's available for discretionary spending, (The budget)
3. What's coming up in the future. Sales trends, Olympiads, Zonal tournaments etc...(An intermediate term plan.- The Treasurer and Executive Director's roles)

If there is no general consensus about the CFC's financial strength (as a minimum), the result will be chaos. Take for example the proposed junior program for which I was asked to comment on.

Someone went to a lot of trouble to put this idea in motion. However, when considering the CFC's financial position (among other factors), I recommended rejecting this promising initiative. This looks like a good lead in to my next topic.

THE FUTURE: PLANNING, BUDGETING AND THE LIKES

The CFC is at a major turning point. Financial results have not been encouraging and they do not look to be improving.

	Net Income
1996-97	\$ (9,000)
1997-98	\$(22,600)
1998-99	A likely loss with the Olympiad.

There are simply not enough resources to fund everything that the CFC wants to do. It's time to establish some funding priorities for the big ticket items, Olympiads, National Championships (men's, women's, junior etc) and to budget out the scarce resources.

The CFC's working capital position is:

	1997-98	1996-97
Current Assets (cash, A/R, Inventory)	117,500	127,900
Less: Current Liabilities (A/P)	<u>17,000</u>	<u>13,200</u>
	<u>100,500</u>	<u>114,700</u>

It's easy to see that at the current rate of working capital drainage, the CFC will not be able to operate in a few years. Drastic action, like selling the building, may be needed to raise working capital. This situation is a convenient lead in to the next topic,

The Treasurer's Report 1997 (GL One, page 20): Response to Various Questions

1. "...I strongly welcome (the) auditor's recommendations with regards to Olympiad and other national expenses."

Troy Vail asked me comment on the proposed Junior Program during the course of the audit and my comments caused some negative reaction because of my ties with Chess and Math (AEM). The Governors should resolve whether this real/appearance of a conflict of interest poses any problem before I go any further here.

I can, however, make some general comments. From reading the Governors Letters, the responses to the financial information questionnaire and the questions from the Treasurer, the state of the CFC's finances is on a lot of people's minds.

The CFC is not in a strong financial position. There are no more cash reserves (there used to be about \$20,000 held in short term securities), working capital is diminishing and projected overall sales are not expected to improve (Troy can give his reasoning here.) . Each year more money flows out than in. I think the first priority is to stabilize the losses. We must establish a breakeven budget immediately. It is time to realize that the CFC simply cannot fund every activity or project no matter how deserving it is. Every program must be reviewed and prioritized. It is clear that given the size of the CFC's recent losses,

	Net Income
1996-97	\$ (9,200)
1997-98	\$(22,600)
1998-99	Another loss is likely due to the Olympiad.

Something big (or a lot of smaller things) has to be dropped. The first task is to establish the 1998-99 free funds balance before discretionary program expenditures. A budget is a must.

The next step will be painful. It is clear that something(s) must be cut. I reviewed and rejected a promising proposal for a national junior championship program largely due the CFC's lack of financial strength (among other factors). This is a tragedy as junior development is a promising growth area. Surely, something else was a lower priority and should have been cut before. However, this is an area for the Governors to decide. Whatever decisions are taken, they should be taken quickly because time is running out.

Some Ideas:

- Do we really have to go to all the Olympiads? (They're just too expensive)
- Do we really need the women's cycle? (Warning: I'm biased here)
- Can we contract out any part of the office work, like magazine production perhaps?
- Can we use the website more effectively to promote chess to non-members and kids?
- Can we ask for general donations from members instead of just Olympiad related donations?
- Can we ask for donations for specific projects (the junior program for example)
- Can we sell advertising on our website? (I think it's a long shot)

2. Long range planning, setting aside funds for major expenditures in a separate account

The use of a separate account may or may not be useful. The real problem faced by the CFC is that there are no funds to set aside. This is because more funds are being spent, allocated or committed than are being generated.

Questionnaire Responses

Thanks to everyone who responded to the survey (Rick Martin, Robert Bowerman, Yves Farges, John Puusa, Lyle Craver, Grant Brown.) I'm a bit surprised at the low response rate, however Yves Farges deserves a prize for the fastest response!

1. I don't really care about financial info

Agree	(1)	Robert Bowerman
	(2)	
	(3)	
	(4)	
Disagree(5)		Rick Martin, Grant Brown, Yves Farges, Lyle Craver

2. I'm really into the numbers but

I don't want any more information

I want to know more, specifically,....

Agree	(1)	Robert Bowerman
	(2)	

(3)
 (4) Rick Martin
 Disagree(5) Grant Brown, Yves Farges, Lyle Craver

(Lyle Craver) wanted to know more about,

1. The Breakdown of Merchandise Inventory

If you need an item by item breakdown, Troy Vail can provide a complete list. It's too long for me to reproduce here.

2. Planning for non-annual events (Olympiads and Zonals)

Good Point. I raised the point of multi-year planning in my last management report. The uneven clumping of major events has a way of skewing the planning process and making the evaluation of the CFC's financial position a tricky prospect.

I have touched on the issue again this year. See "The Future, Budgeting and the Likes" section of my report on other matters. The keys will be to have

1. A good grasp of the CFC's current financial position
2. A clear idea of what major events are coming up in the next 2-3 years.
3. Clear funding priorities for major projects.
4. A multi-year forecast of the CFC's financial position based on current trends
5. A sound method of evaluating funding proposals. This has been described at length in my current report.
6. A good follow-up mechanism for funded projects. Yves Farges brought this up as part of his response to the questionnaire. I will address this point in more detail a bit further on.

3. Membership information

A breakdown has been given in past Governor's Letters. If you need something specific, Troy Vail will be able to provide to you.

4. Formula used to calculate unearned membership revenues

Unearned revenue is calculated by taking the amount of time left on memberships in months * (Cost of membership/12). Example John Smith is a adult member that expires 1998/09/01. On 1998/05/01 John Smith will have 4 months left in his membership $4 * 33 \text{ (for adult member)}/12 = \11 in unearned revenue. *[TV-Troy Vail]*

5. Is there a seasonal pattern?

The tournament season tends to follow the school year, starting up in September and ending in June. As such most new members start in September so September and October have the most number of expiry dates where as July and August have the least number of expiry dates. *[TV]*

6. How are life members accounted for?

Life members are included in the Chess Foundation and do not apply to unearned revenue. *[TV]*

(Yves Farges: Program Evaluation on a cash flow basis)

Bang-on! I should have thought of this before. I think we need this. Information in the following format would be useful for assessing projects.

Project	Revenues	Expenses	Net	Comments
Schools Program	\$25,000	\$13,800 (direct costs) + Cost of Sales	\$11,200-Cost of Sales	Associated gross sales have been estimated by Troy Vail. Expenses consisted of the production and shipping of the Teachers' Manual.
Yanofsky Book	\$2,250(*)	\$4,000	\$(1,750)	(*) The revenue is a made up number for illustrative purposes.
Project 3 and so on...				

Of course some projects will have indirect effects on revenues and some will have none. However when a project is intended to generate revenues, this format is very informative. The Yanofsky book project would be a perfect example for this type of reporting mechanism. It's meant to generate revenues and direct costs are readily measurable.

(Grant Brown)

“What’s included in the following expense categories?”

1. **Building and Equipment**
2. **Office**
3. **Other Executive and Administration**
4. **Publications**
5. **International Programs**
6. **National Programs**

My financial statement overview contains a more detailed explanation of the financial statement contents. Office Expenses, International Programs and National Programs are covered in more detail there.

	1998	1997
	(\$)	(\$)
<u>Building and Equipment:</u>		
Utilities	2,602	2,264
Municipal Taxes	3,504	3,478
Office Insurance	1,949	1,533
Maintenance	3,210	2,152
Depreciation-Building	4,607	4,800
Depreciation-Equipment	843	1,002
Depreciation-Computers	<u>3,522</u>	<u>4,419</u>
Total	20,240	19,650

The increase in maintenance was due to furnace repairs.

<u>Other Executive and Admin:</u>		
Annual Meeting	1,458	728
CFC Handbook	534	
Other Executive expenses	250	206
Governor’s Letter	62	356
Other Admin	<u>1,065</u>	<u>1,206</u>
Total	2,836	3,031

Other Admin expenses include expenditures on the alarm system (\$240), payments to Deen Hergott for editing and general work at \$10/hour (\$160), advertising for a new position ultimately filled by Stephanie Powers and the cost of her business cards (\$260). Annual Meeting expenses includes the cost of the room and refreshments (\$872!). The room and refreshment costs were shocking to Troy and Francisco. This year cheaper alternatives will be sought. \$300 was for travel for Troy Vail and Tom O’Donnell.

Publications:

En Passant	44,303	42,985
Advertising Revenues	(5,704)	(6,075)
Newsstand Sales	<u>(2,227)</u>	<u>(1,624)</u>
Total	36,372	35,286

En Passant expenses include printing (\$30,000), payments to contributors (\$7,000) and mailing makes up the balance.

Is the building owned free and clear of any encumbrances? Does it include land?

The building is owned free and clear. It is not a separate free standing building, it is a condominium unit in an industrial park so we have joint ownership of the common areas and shared access to the service road. Technically we “own” a share of the common areas. I hope this answers your question.

How much of employee time bought with “Salaries and Benefits” is spent on the following tasks-by percentage?

Merchandising	40%
En Passant	40%
Other duties	20%

(%s were estimated by Troy Vail.)

3 I’m happy with the way things are

Agree (1) Robert Bowerman

(2)
(3)
(4) Rick Martin
Disagree(5) Grant Brown, Yves Farges, Lyle Craver

THE NEW ACCOUNTING PROGRAM AND SUPPORTING DOCUMENTATION

The new system did affect the 1997-98 audit. This year, with the new program in mind, I performed only those tests on the program which directly affect the 1997-98 financial statements. I did not perform a formal system review. I did an extensive review of the program's documentation and made comments and suggestions to Troy. Also, I did a brief test of the program. The new software looks like a nice piece of programming work so far.

Software documentation is an extensive undertaking. The review of the manual will likely be continued next audit.

I hope my comments and suggestions will be more helpful than the plain "I think everything is OK" type of audit report.

Yours truly,
Michael Yip.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

ABSOLUTE DEADLINE FOR RESPONSES IS June 30th, 1998

1998 Annual Meeting of the CFC

PLEASE NOTE NEW TIMES

**6:00 p.m. -10:00p.m. July 9th 1998, 9:00 a.m.-10:00 p.m. July 10th 1998, and 9:00 a.m. – 12:00 noon
July 11th 1998**

Ottawa, Ontario

AGENDA FOR OUTGOING ASSEMBLY OF GOVERNORS

1. Registration of Proxies
2. Introduction and Opening Comments from the Chair
3. Minutes of the 1997 Annual Meeting
4. Reports:
 - A. President
 - B. Vice-President
 - C. Past President
 - D. Secretary
 - E. FIDE Representative
 - F. Treasurer
 - G. Rating Auditor
 - H. Junior Coordinator
 - I. Women's Coordinator
 - J. Masters' Representative
 - K. Auditor's Report
 - L. Executive Director
 - M. Office Manager
 - N. Chess Foundation
 - O. Kalev Pugi Fund
 - P. National Appeals Committee
 - Q. Canadian Correspondence Chess Association
 - R. Other Formal Reports
5. Motions and straw vote topics for discussion and vote
 - 98-1 Motion (Constitutional) re introduction since motion failed due to lack of quorum
 - 98-5 Straw vote
 - 98-6 Motion
 - 98-7 Straw Vote
 - 98-8 Motion
 - 98-9 Motion
 - 98-10 Motion (Constitutional)
6. Bids for 1998 Events
 - 1998 Canadian U20 (Junior)
7. Any Other Business
8. Decision of the Assembly as to a Donation to the Chess Foundation of Canada

1998 Annual Meeting of the CFC
Ottawa, Ontario
AGENDA FOR INCOMING ASSEMBLY OF GOVERNORS

1. Registration of Proxies
2. Election of Governors from Provinces (Territories) without an Affiliated Provincial (Territorial) Association
 - A. North West Territories (1)
 - B. Nunavut Territory (0)
 - C. Quebec (3)
 - D. Yukon Territory (1)
3. Re-Registration of Proxies
4. Introduction and Opening Comments from the Chair
5. Election of Officers
 - i) Board of Directors
 - A. President
 - B. Vice-President
 - C. Secretary
 - D. Treasurer
 - E. FIDE Representative
 - F. Rating Auditor
 - ii) Officers not on the Board of Directors
 - A. Masters' Representative
 - B. Women's Coordinator
 - C. Junior Coordinator
 - D. Other Officers pursuant to section 18(f) Bylaw #2 of the Constitution
6. Appointment of Auditors
7. Appointment of Chess Foundation of Canada Trustee
8. Appointment of Committee Members
 - A. Kalev Pugi Fund
 - B. National Appeals Committee
9. Motion and/or discussion re proposed changes to Canadian Closed and Zonal Rules
10. Motion and/or discussion re proposed changes to Canadian Youth Championship Rules.
11. Bids for 1999 and later Events
 - A. Canadian Open
 - B. Canadian Closed and Zonal
 - C. Canadian Woman's Closed
 - D. Canadian U20 (Junior)
 - E. Canadian U18
 - F. Canadian U16 (Cadet)
 - G. Canadian U14
 - H. Canadian U12
 - I. Canadian U10
12. Any Other Business
13. Location and time of 1999 AGM
14. Adjournment

Proxy Form
Annual Meeting of the C.F.C. Ottawa 1998

I, _____ of _____,
a member of the **Incoming Assembly** of Governors of the Chess Federation of Canada, hereby appoint
“ _____ ”

as my proxy to vote for me and on my behalf in the same manner as I could if personally present at the Annual Meeting to be held in Ottawa on the 9th to 11th of July, 1998, or at any adjournment thereof.

Dated at _____ this _____ day of _____ 1998.

Witness _____ Signature of Governor _____

Instructions to Proxy

Nominate For:	President	_____
	Vice-President	_____
	Treasurer	_____
	Secretary	_____
	FIDE Representative	_____
	Rating Auditor	_____
	Women's Coordinator	_____
Vote For:	President	_____
	Vice-President	_____
	Treasurer	_____
	Secretary	_____
	FIDE Representative	_____
	Rating Auditor	_____
	Junior Coordinator	_____
	Women's Coordinator	_____

Instructions to Proxy:

Proxy Form
Annual Meeting of the C.F.C. Ottawa 1998

I, _____ of _____,
a member of the **Outgoing Assembly** of Governors of the Chess Federation of Canada, hereby appoint
“ _____ ”

as my proxy to vote for me and on my behalf in the same manner as I could if personally present at the Annual Meeting to be held in Ottawa on the 9th to 11th of July, 1998, or at any adjournment thereof.

Dated at _____ this _____ day of _____ 1998.

Witness _____ Signature of Governor _____

Instructions to Proxy: