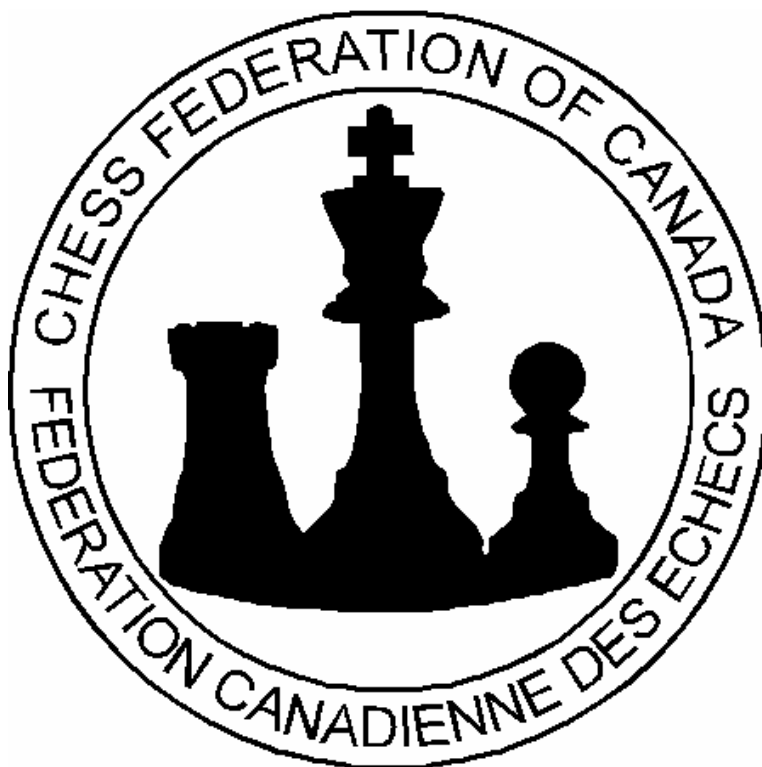


**CHESS FEDERATION OF CANADA
GOVERNORS' LETTER FIVE
2007-2008**



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@chess.ca

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@chess.ca if interested.

Deadline for submissions to GL#6 is Friday January 11, 2008

President's Message

First of all I welcome Bob Gillanders to his new role as Executive Director of the CFC. Bob's diligence and enthusiasm is a needed additive! I wish to thank Bob's predecessor David Gordon for his service and wish him well in his future endeavours.

We will continue to face challenges in the coming months, particularly with our finances. I have invited Gordon Ritchie to join Stijn De Kerpel and me in the search for new operating options for the Federation.

Currently we are in need of a new Treasurer and plan to name one before January 15, 2008. If you are interested, or know someone who could be, please contact me.

After a few weeks cooling off in Siberia, I am beginning to wonder if we should be looking more closely at lower membership fees, particularly in the youth sector. I have resisted this notion in the past because it means reduced revenues unless many, many more players join.

Can a strong case be made for "many, many more"?

Thanks to Ilia Bluvshstein for his initiatives with our Olympic Teams. Our Selection Rules must be changed and you are asked to choose between 2 methods in this GL. Based on the level of non-debate on Olympic selection in GL#4 and in e-mails received for GL#5, I'm going to ask the Secretary to put the motions in the form shown below and send them directly to final vote rather than dragging out the decision to GL#6". I have ruled that the National Team and Women's Team adopt the same selection criteria.

Congratulations to the FQE for their successful CYCC and Canadian Open bids. I look forward to seeing both events grow.

I take this opportunity to wish happy holidays to all of you. Let us aim high in 2008.

Sincerely

Hal Bond, IO, IA
President, Chess Federation of Canada

Message from the Secretary:

This Governors' Letter was essentially finished the week before Christmas when the Business Office was reorganized as described by the President above. He also desired to wind up the Olympic Team selection criteria with GL#5 and he thinks the formula he has suggested should make the movers and seconders of the two motions and the amendment happy. It is to be hoped that 2007-2008 see us focused on building two strong teams and less on controversies involving team selection as has been the case in some past years.

It proved impossible to get this out on December 23rd-24th so following Boxing Day it was back to work.

Special thanks are due to both Bob and Stejn for their hours spent re-jigging things in the Office which we hope will stem the financial bleeding once and for all.

Please see appendix 1 in this GL for the six month financials. Governors should note that as part of his move to the Business Office Bob has resigned as CFC Treasurer since he is now Executive Director.

Lyle Craver
Secretary, Chess Federation of Canada

Message from the Treasurer

I am pleased to report that financial statements for the first 6 months of the current year are included in GL5 as promised. I have taken the liberty of making some cosmetic changes to the format where I felt it was appropriate.

I will again caution the reader that certain accounts have not been satisfactorily reconciled. I refer you to my report in GL4 for further details. These are interim financial statements and have not been reviewed by outside auditors.

The loss for the first half of this year was \$ 14,258. The loss was mitigated due to the surplus from the 2007 Canadian Open of \$ 5,051 being donated to the CFC. Otherwise, the loss rate is close to that experienced last year (when you exclude the roof repairs).

I do see signs of recovery in the membership fees revenue. I have included an analysis in the supplementary information. Annual membership fees paid are treated as revenue when earned. To illustrate, when we collect the \$ 36 for an annual renewal, it is revenue of \$ 3 per month for the next 12 months. The value of the unexpired fees represents the deferred membership revenue of \$ 24,300 on the balance sheet.

We started this year with a low membership base and a low level of renewals in the first quarter. This will make it difficult to match even last years poor numbers. However, if you focus on the annual membership fees collected, a positive trend is appearing. First quarter is \$ 8,841, second quarter is \$ 11,422, and for just November it is \$ 4,824.

Life memberships of \$ 4,590 were collected in the first 6 months. These have not been forwarded to the Chess Foundation for cash flow reasons. In June 2007 we did forward life memberships of \$ 2,430 to the Foundation that were collected in the prior year. Our revenues include only those life memberships paid to the foundation in the period.

Office costs include computer maintenance costs of \$ 2,419 to fix several overdue neglected items.

Magazine costs (2 issues) were \$ 19,032. The costs can be broken down as 50% content, 35% printing costs, and 15% for delivery. Advertising and newsstand sales generated revenues of \$ 2,142, giving us a net magazine cost of \$ 16,890 or \$ 8,445 per issue.

I welcome your comments and questions.

Respectfully yours,

Robert Gillanders
CFC Treasurer
December 16, 2007

RESULTS OF VOTING:

Motion 2008-06 (Bond, McDonald) Effective January 1, 2008, that the CFC adopt the following membership fee structure:

Adult membership:	\$49.00
Junior Membership:	\$29.00
Junior Participating	\$20.00
Family Membership	\$25.00
Tournament membership	\$15.00

In all cases, Provincial affiliates shall receive a 10% rebate on fees collected.

Votes Yes (1): McDonald

Votes No (16): Barron, Bluvshstein, Craft, Craver, Demian, Dénommée, Divinsky, Gillanders, Gladstone, Nadeau, Nikouline, Ritchie, Stockhausen, Thorvardson, Wright, Wu

Abstentions: none

Motion Defeated

Lyle Craver: My vote on this was based on my understanding of the Handbook where it seems clear to me that the provincial affiliates have the power to set their own dues. Since this motion seeks to change that – and without getting the affiliates on board – I am bound to vote against.

Pierre Dénommée: I agree with all the comments against the motion. That would incommode too many provinces.

Motion 2008-07: (Bond, Craver) Effective January 1, 2008, “youth only” tournaments which do not require CFC membership shall be subject to the full rating fee of \$3.00 per player.

Votes Yes: none

Votes No: (16) Barron, Bluvshstein, Craver, Demian, Dénommée, Divinsky, Gillanders, Gladstone, McDonald, Nadeau, Nikouline, Ritchie, Stockhausen, Thorvardson, Wright, Wu

Abstentions (1): Craft

Pierre Dénommée: In Quebec, the FQE rates regular games for \$1.50, a 50% rebate compared to us. The CMA rates youth tournaments for even less. It would be a suicide to raise the rating fee. Garry Gladstone amendment should be considered: increasing the rating fees for non-members.

Motion Defeated

Gordon Ritchie: As I observed at the AGM, we must not put the cart before the horse. The first priority is to ensure the CFC offers service to its clients. Then we can consider whether we have earned fee increases.

2008 Canadian Junior Championship Bid (Toronto)

Stephen Wright: I am astonished that we are voting on this less than a month before the tournament is due to take place, this despite the bid being submitted last June and Michael Barron requesting early approval of it in every GL since then. Why is this happening only now? As Michael noted, the poor turnout last year was largely due to inadequate time to advertise, and yet the same situation is repeating itself ...

Votes Yes (16): Bluvshstein, Craft, Craver, Demian, Dénommée, Divinsky, Gillanders, Gladstone, McDonald, Nadeau, Nikouline, Ritchie, Stockhausen, Thorvardson, Wright, Wu

Votes No (1): Barron

Abstentions: none

Bid Approved

2008 Canadian Youth Chess Championship Bid (Quebec City)

Votes Yes (15): Barron, Bluvshstein, Craft, Craver, Demian, Dénommée, Divinsky, Gillanders, Gladstone, Nikouline, Ritchie, Stockhausen, Thorvardson, Wright, Wu

Votes No: none

Abstentions (2): McDonald, Nadeau

Bid Approved

Patrick McDonald: With regard to both bids from the FQE, I have a problem with approving bids to have our Primary National tournaments run by a non-affiliated provincial organization (in fact, an organization that Refuses to affiliate). Unfortunately, since we have no other bids presented at this point, we don't have much choice.

Gordon Ritchie: My observations were included in the assessment I provided to governors. The key outstanding issue is whether and how the CFC can guarantee a trip to Vietnam for the winners in the absence of any surplus revenue generation by the organizers of this bid. Personally, I would be prepared to concur in a decision to apply the balance of the surplus funds generated by the 2007 CYCC and remitted to the CFC against this expenditure but remain concerned that (i) these funds may have already been caught up in the CFC vortex; (ii) they may be insufficient and (iii) it would be a pity to lose the momentum from the 2007 CYCC precedent.

2008 Canadian Open Bid (Montréal)

Votes Yes (12): Barron, Bluvshstein, Craft, Craver, Demian, Gillanders, Gladstone, Nikouline, Stockhausen, Thorvardson, Wright, Wu
Votes No (3): Dénommée, Divinsky, Ritchie
Abstentions (2): McDonald, Nadeau

Bid Approved

Pierre Dénommée: No significant increase in membership is to be expected from this event.

Gordon Ritchie: As noted in my assessment, this bid as it now stands falls significantly below Canadian Open standards—much smaller purse, five sections, facilities, lack of elite players, etc. It amounts to dressing up the Quebec Open under the Canadian Open banner. I am confident that the organizers can do much better if encouraged and supported.

Motions for Final Vote:

Motion 2008-03 (Lyle Craver / Bob Gillanders) That Handbook paragraph 1206 (b) dealing with the Canadian Olympic team be amended to read:

(b) National Team: The National Team shall consist of FIVE players, as follows:

- (i) The Canadian Champion, as of 180 days before the start of the Olympiad.
- (ii) The TWO highest rated players on the Selection Rating list.

(iii) Two players decided upon by the Selection Committee.

Valer Demian: Motion 2008-03: Yes. It gives us more flexibility to put together a better team when selection time comes.

Motion 2008-3 Amendment {Smith/Jaeger} That Handbook paragraph 1206{b} dealing with the Canadian Olympic team be amended to read:

{b} National Team: The National Team shall consist of FIVE players, as follows:

- {i} The Canadian Champion, as of 180 days before the start of the Olympiad.
- {ii} The THREE highest rated players on the Selection Rating List.
- {iii} ONE player decided upon by the Selection Committee.

Valer Demian: Motion 2008-03a: No. A Selection Committee will always come up with a better decision than a published Rating list.

Motion 2008-08 (Christopher Mallon/Michael Barron):

That Handbook paragraphs 1206 (c) dealing with the Canadian Olympic team be amended to read:

(c) Women's Team: The Women's Team shall consist of FIVE players, as follows:

- (i) The Canadian Women's Champion, as of 180 days before the start of the Olympiad,
- (ii) The TWO highest rated female players on the Selection Rating list,

(iii) Two players decided upon by the Selection Committee.

Hal Bond: Olympic Team Selection:

Thanks to the many contributions from our governors on this subject. I am concerned that the number of motions / options appears confusing. I would like a simple question voted upon by as many governors as possible and I hope you support my approach. Everyone concerned with the Olympiad needs to know where they stand as soon as possible.

Our Olympic Selection rules are out of date so we need new ones.

Here's what we have:

:

1206. Selection of the players

(b) National Team: *The National Team shall consist of six players, as follows:*

(i) The Canadian Champion, as of 180 days before the start of the Olympiad.

(ii) The three highest rated players on the Selection Rating list.

(iii) Two players decided upon by the Selection Committee.

(c) Women's Team: *The Women's Team shall consist of four players, as follows:*

(i) The Canadian Women's Champion, as of 180 days before the start of the Olympiad.

(ii) The two highest rated female players on the Selection Rating list.

(iii) One player decided upon by the Selection Committee.

Our existing rules attempt to apply the same selection principles to two teams of different sizes. Now both the National team and Women's team are five player teams as per FIDE's rules. **Therefore I am ruling that the selection criteria be the same for both teams.**

Since both teams currently include the Canadian Champion from 180 days before the Olympiad, it comes down to this choice for the other 4 players.

Please choose between:

Option One: **2** players from the Selection Rating List and **2** players chosen by the Selection Committee

Option Two: **3** players from the Selection Rating List and **1** player chosen by the Selection Committee

Option Three: Neither of the above (in this case the floor is open for other options)

Lyle Craver: As the mover of the original motion 2008-03, I concur with this method of finally wrapping up this matter.

Motions for Second Discussion:

None

Motions for First Discussion:

Motion 2008-09: (Moved/Seconded Gary Gladstone / Patrick McDonald) All players at the CYCC, Canadian Junior Championship, Canadian Championship, Canadian Open and Canadian Womens' Championship must be members in good standing of the CFC at the beginning of the tournament.

Gary Gladstone: The intent of this motion is to require full CFC membership (e.g. types "H", "L","O", "J", "P" and "F" but excluding tournament memberships and junior non-members playing under the terms of Handbook paragraph 732) of all players playing in national championships.

General Comments from Governors:

Michael Barron: Thanks to our Treasurer Bob Gillanders for preparing CFC Financial Reports and answering numerous questions!

He said it's impossible to reduce the operating costs without a restructuring of the office operations.

Maybe we really need to do such restructuring?

It seems like ~\$170,000 operating costs such small organization as CFC is now, with membership revenue only about \$50,000, simply can't afford.

About 50% of office expenses, i.e. \$60,000 used to generate \$25,000 sales profit.

If it's really so, why we need sales business?

Why we need the office at all, if we even can't get an answer for a simple question - what exactly going on in the office?

Why we are paying so much for so little service?

Hope we could get more answers later - it's necessary for making informed decisions.

THE CHESS FEDERATION OF CANADA
LA FÉDÉRATION CANADIENNE DES ÉCHECS

Balance Sheet
 As at October 31, 2007
 Unaudited

	Oct. 31	April 30
	2007	2007
<hr/>		
CURRENT ASSETS		
Cash	\$ 11,825	\$ 20,141
Accounts receivable	20,146	16,322
Inventory	34,343	41,317
Prepaid expenses	5,169	4,262
	<hr/>	<hr/>
	71,483	82,042
CAPITAL ASSETS	<hr/>	<hr/>
	87,200	88,846
	<hr/>	<hr/>
	\$ 158,683	\$ 170,888
<hr/>		
CURRENT LIABILITIES		
Accounts payable	\$ 28,724	\$ 28,856
Entry fees payable	-	8,855
Deferred membership revenue	24,300	24,300
	<hr/>	<hr/>
	53,024	62,011
DEFERRED CONTRIBUTIONS	<hr/>	<hr/>
	31,051	20,011
EQUITY		
Opening balance	88,866	137,543
Net Earnings (loss) for the period	(14,258)	(48,677)
	<hr/>	<hr/>
Closing balance	74,608	88,866
	<hr/>	<hr/>
	\$ 158,683	\$ 170,888
<hr/>		

THE CHESS FEDERATION OF CANADA
LA FÉDÉRATION CANADIENNE DES ÉCHECS

Statement of Revenue and Expenditures
For the 6 months ended October 31, 2007
Unaudited

	6 months ended Oct 2007	12 months ended April 2007
REVENUE		
Sales of books, equipment and software	\$ 40,414	\$ 103,151
Shipping and handling charges	1,817	6,824
Membership fees	23,810	51,565
Interest earned from Chess Foundation of Canada	2,641	5,252
Rating fees	13,055	23,486
Publication sales and advertising	2,142	2,378
Donations	6,442	24,168
Surplus donated from Canadian Open 2007	5,051	-
Other programs (see supplementary information)	57,404	64,681
Other revenue	-	3,516
	152,776	285,021
EXPENDITURE		
Cost of sales	27,683	78,829
General and administrative		
Salaries, benefits and staff travel	31,347	62,500
Building and equipment expenses	8,495	30,175
Bad debts	-	5,319
Office	16,904	28,510
	56,746	126,504
Programs		
Publications	19,032	31,773
International	1,259	13,904
Contributions to clubs and affiliates	2,480	18,007
Contributions to Chess Foundation of Canada	2,430	-
Other programs (see supplementary information)	57,404	64,681
	82,605	128,365
	167,034	333,698
NET REVENUE (EXPENDITURE) FOR THE YEAR	\$ (14,258)	\$ (48,677)

THE CHESS FEDERATION OF CANADA
LA FÉDÉRATION CANADIENNE DES ÉCHECS

Supplementary Information
For the 6 months ended October 31, 2007
Unaudited

Analysis of Membership fees	2007 Year	2008 Q1	2008 Q2	2008 YTD
Annual membership fees collected	43,289	8,841	11,422	24,391
Tournament memberships collected	2,559	663	454	1,117
Adjustment to Deferred revenue	5,717	-	-	-
Life memberships		2,430		2,430
Membership fees reported	<u>51,565</u>	<u>11,934</u>	<u>11,876</u>	<u>23,810</u>
Less: Life memberships sent to Foundation		2,430		2,430
Net membership dues	<u>51,565</u>	<u>9,504</u>	<u>11,876</u>	<u>21,380</u>
Life memberships owing to Foundation		<u>3,690</u>	<u>900</u>	<u>4,590</u>

The organization follows the deferral method of accounting for revenues. Membership fees are recorded as revenues in the period to which they relate.

Deferred Contributions	Olympic Donations	CYCC Program	Kalev Pugi Program	Total
Balance, April 30, 2007	440	16,833	2,738	20,011
Add: Contributions	250	67,169	1,025	68,444
Less: amount recognized as revenue		<57,404>		<57,404>
Balance, October 31, 2007	<u>690</u>	<u>26,598</u>	<u>3,763</u>	<u>31,051</u>

Contributions to these programs are recognized as revenue in the period in which the related expenditures are incurred.

Motions for Final Vote:

Motion 2008-03: Olympic Team Selection

Please choose between: The Canadian Champion plus

Option One: **2** players from the Selection Rating List and **2** players chosen by the Selection Committee

Option Two: **3** players from the Selection Rating List and **1** player chosen by the Selection Committee

Option Three: Neither of the above (in this case the floor is open for other options)

Motions for Second Discussion: None

Motions for First Discussion:

Motion 2008-09: (Moved/Seconded Gary Gladstone / Patrick McDonald) All players at the CYCC and Canadian Open must be members in good standing of the CFC at the beginning of the tournament.

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