

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF ORANGE

X

SAM SLOAN,

Petitioner,

AFFIDAVIT

INDEX No. 2004-7739

-against-

BEATRIZ MARINELLO, TIM HANKE, STEPHEN
SHUTT, ELIZABETH SHAUGHNESSY, RANDY BAUER,
BILL GOICHBERG, KENNETH M. CHADWELL, AND
UNITED STATES CHESS FEDERATION,

Assigned Judge
Lawrence I Horowitz, JSC

Respondents

X

STATE OF NEW JERSEY)
)SS:
COUNTY OF CAMDEN)

Leroy Dubeck, Ph.D., being duly sworn, deposes and says:

1. I am a professor of physics at Temple University, I am also a life member of the United States of America Chess Federation ("USCF"), and the chair of USCF's Life Members Assets Committee ("LMA"), I am personally familiar with the facts to which I attest in this affidavit.

2. I am also a past president of the USCF, serving from 1969 to 1972, and am thoroughly familiar with the mission, business and operations of USCF, its corporate governance, its administration, and procedures relating to its finances. As a former chair of USCF's finance committee, and the author of several books on higher education finance and budgeting, I am familiar with the economic, financial and accounting issues confronting institutions such as the USCF.

3. I am also familiar with the many sound financial reasons supporting USCF's planned relocation from its offices in New Windsor, New York to Crossville, Tennessee. The LMA of the USCF has traditionally exercised delegated authority to administer and oversee USCF's life member assets, including the building in question Board and the Board of Delegates. In my capacity as LMA Committee Chair, I have been kept apprised of the Board's deliberations and its careful weighing of the available alternatives and options for relocating USCF's offices. The decision to move to Crossville was not undertaken lightly and was the product of a long and careful process.

4. It is no secret that USCF, although providing valuable services to the national and international chess community, amateur and professional players and coaches, and educational institutions, recently underwent several difficult years financially. Most of the problems could be found in inefficiencies of operations and administration, redundancies in personnel and services, and an excessive cost structure. Among the latter were the high costs of maintaining our principal offices and warehouse in New York due to New York's above average payroll taxes, workers' compensation costs, insurance and utility costs, sales taxes, and employee wages and benefits.

5. USCF is solvent. Accounts payable and current liabilities are insignificant and there is no long term debt. However, USCF's current healthy position is due to vigorous action undertaken since the summer of 2003. The steps taken included outsourcing our retail merchandise sales operations, enabling us to reduce personnel costs and overhead, and partnering with third party providers to enhance our marketing, membership and sales presence while reducing expenses. Having reduced our personnel by half, and having eliminated the need for warehousing merchandise, the building on Route 9W in New Windsor became a white elephant. At 12,000 square feet, of which half was basement storage space, the building had become

too large for our needs. As an old structure, its costs for repair, maintenance and utilities were excessive. The cost to maintain our operations in New York were only going to increase relative to other regions of the country, despite our success in re-establishing a good financial picture.

6. USCF therefore renewed its nationwide search for a new location. Crossville, Tennessee responded enthusiastically. The city has conveyed to USCF without cost a prime three acre parcel, and has arranged for USCF to have office space rent-free for a year while our new offices are built. We have obtained very favorable loan terms, with the lender agreeing to accept the value of the raw land as the down payment and equity contribution. Labor and wage costs, and payroll taxes and insurance, are far lower in Tennessee than in New York, and other expenses are lower as well. The building for sale in Liberty, New York, to which Mr. Sloan refers, is a century-old former hospital in poor condition, possibly with asbestos in the structure, which would be costly to renovate. Other locations have been considered but rejected as less favorable. The decision to relocate to Crossville is sound. The USCF would be remiss if it did not take advantage of this opportunity.

7. I have read Mr. Sloan's factual allegations in his affidavit and petition. They are unfounded. The proceeds from the sale of the building were duly deposited in USCF's LMA accounts and have been prudently managed. Beatriz Marinello as Board President, and Tim Hanke as Vice President of Finance, are duly authorized to sign checks on the LMA account. Bill Goichberg, Ken Thomas and Judy Misner have authority over USCF's general checking account. All funds are accounted for. USCF's financial statements are audited by a certified, independent accounting firm, and are posted on USCF's website at www.uschess.org for all to examine. Board resolutions, minutes, and decisions are also posted. Neither Ms. Marinello nor the Board, or for that matter any of the other respondents to my knowledge have acted in self-

interest and have not engaged in any self-dealing. If any members such as Mr. Sloan are unhappy about the Board's decisions, they have the right to express their feelings at both our membership meeting and the Board of Delegates meeting, held in August each year. In addition, he has the right under USCF's by-laws to file an ethics complaint against any individuals he feels engaged in wrongful conduct I submit that these internal solutions are more appropriate than wasteful litigation.

Leroy Dubeck, Ph.D.

Sworn to before me this
24th of November, 2004.

Notary Public
KENNETH OLIN
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires October 5, 2005