

ASSOCIATION OF GRADUATES
UNITED STATES AIR FORCE ACADEMY 

BOARD OF DIRECTORS
MEETING MINUTES
Saturday, May 12, 2007

BOARD MEMBERS PRESENT: Ted Legasey '67, Chair; Jim Shaw '67, President & CEO; Steve Finch '65, Vice Chair; Bill Boisture '67, Treasurer; Marianne LaRivee '80, Secretary; Mike Christy '63; Ed Eberhart '68 (via telephone); Edie Edmondson '92; Mike Flynn '95; Marty France '81; Gil Mook '67; John Moore '78; Amber O'Grady '96; Al Rogers '64; Pat Rosenow '76; Leon Smith-Harrison '75

BOARD MEMBERS ABSENT: Jack Kucera '78 (Steve Finch departed meeting after lunch break)

COMMITTEE MEMBERS PRESENT: Trip Ashe '86; Melissa Cunningham '96; Terry Drabant '65; Rob Mishev '99; Dick Sexton '60

NEWLY ELECTED BOARD MEMBERS PRESENT: Steve Dotson '63; James Sanchez '90; George VanWagenen '67; Jim Wheeler '64

NEWLY ELECTED BOARD MEMBER ABSENT: Fred Gregory '64

AOG STAFF PRESENT: Deb Braun; Leslie Frank, Vice President, Finance/Chief Financial Officer; Mark Hille '97; Gary Howe '69, Vice President, Alumni Relations; Wayne "Bees" Kellenbence '78; Jack Mueller, '71; Dick Rauschkolb '70, Vice President, Communications

OTHERS PRESENT: Marc Anderson '61; Andi Biancur '60; Randy Cubero '61; Tom Eller '61; Sam Hardage '61; Will Honea '64; Art Kerr '61; Earl Saunders '61 Terry Storm '61

I. CALL TO ORDER/WELCOME AND REMARKS BY CHAIR:

The regular quarterly meeting of the Association of Graduates (AOG) of the United States Air Force Academy (Academy) convened at 8:00 a.m. on May 12, 2007, in Doolittle Hall. Board Chair Ted Legasey welcomed everyone, quickly reviewed the numerous items on the agenda, and reminded all in attendance that he would work assiduously to maintain the proposed schedule. He thanked all current and newly elected board members for their robust discussion and fruitful efforts the previous two days during both the Board of Directors overview sessions and committee meetings.

II. REVIEW OF MINUTES:

John Moore moved to approve the minutes of the February 10, 2007, quarterly meeting; Al Rogers seconded the motion, and all were in favor. Upon distribution of the May 1, 2007, teleconference minutes, Amber O'Grady moved to approve them, Edie Edmondson seconded, and all were in favor.

III. PRESIDENT'S REPORT:

Jim Shaw covered the recent Board of Visitors meeting, in which he gave a comprehensive campaign update that was received with enthusiasm. He then briefed personnel issues, stressing that there has been an unusually high turnover of staff, particularly in the Development Department. Although he was in the midst of rebuilding the staff, he has decided to leave the position of Vice President of Development open until the new Board of Directors outlines its priorities and focus. Currently, Jim Shaw is acting as the VP, Development, relying heavily on Mark Hille for assistance. He has recently hired two new Major Giving Officers and one Assistant Director of Annual Giving.

Jim then reported on recent events and activities, stressing that the AOG has taken the lead on away football game activities instead of relying on local chapters. He covered upcoming events, pointing especially to the Joint Service Academy Alumni Executive Conference (JSAAEC) that will be hosted at the Academy this year. This annual conference allows the five United States academies and the Royal Military College of Canada to share ideas and collaborate. The AOG will host two significant Academy away events in 2007: Washington, D.C., as part of the Navy football game, and South Bend, IN, at the National Collegiate Hall of Fame for the Notre Dame football game.

IV. COMMITTEE REPORTS:

A. Governance Committee: Steve Finch, Chair, reported that the election results have been posted on the AOG website in the form of the letter and report dated May 2, 2007, from Survey and Ballot Systems (SBS), the contractor who handled the election, and the Certification of Election dated May 11, 2007, signed by the AOG Board Secretary, will also be posted (Attachments 2 & 3).

Steve then briefed the Governance Committee action items. As he reviewed them, it became obvious that many of the Governance Committee actions were not completed and were reported as "red" in status. Specifically, in the Board of Directors oversight area, the committee did not accomplish a self-evaluation process in May 2007, as previously agreed. Nor did it recommend committee minutes policies or procedures, nor a process for reporting compliance with the bylaws. The committee *is* currently evaluating electronic voting procedures in order to ensure that the next election can be executed via electronic means. However, it has not yet established an oversight process for the Class Advisory Senate (CAS). It has not established a recurring meeting schedule or procedures, nor has it recruited any non-director members. The committee

has not established a process for addressing ethics issues, a process for adjudicating conflict of interest questions, or a process to systematically review the bylaws. Gil Mook asked why these areas had not been addressed. Ted Legasey suggested that perhaps the Governance Committee did not have the capacity to handle all of these responsibilities. Pat Rosenow agreed that such was indeed the case; he recommended that the new board concentrate on increasing the number of non-director committee members. Al Rogers explained that the committee had not met in over three months, atypical of most committees, which characteristically accomplish most of their work between quarterly board meetings. Bill Boisture reminded the board that the Governance Committee had been established to engender trust and confidence in the membership by overseeing the workings of the Board of Directors and ensuring that the board conducted itself pursuant to the bylaws. He recommended that the committee work harder to accomplish its mission.

B. Alumni Relations: Pat Rosenow, Chair, requested that Dick Sexton, CAS Interim President, brief the proposed CAS Procedures drafted for board approval. As envisioned, the CAS is being established as an advisory body--an outreach arm of the AOG Board of Directors. Its mission is to provide an expanded two-way channel of communications, based on representatives from each class, between the graduate community and the AOG Board of Directors. Dick Sexton summarized the organization, meeting schedule, duties, voting procedures, and support for the CAS. He reported that 34 of the 48 classes have representatives selected. Ted Legasey suggested that in terms of AOG support, the term "line item" on page three of the draft be replaced with the word "funds," as a more appropriate and accurate description of the financial support that would be provided. Jim Shaw stated that the AOG staff had already estimated and provided for the administrative support required by the CAS, and Gary Howe commented that as structured, the costs associated with the CAS would be minimal. Dick Sexton requested the board approve the CAS Procedures with the change noted on page three (Attachment 4). Pat moved to approve the document, Gil Mook seconded, and all were in favor. Pat noted that the committee would focus future efforts on the member survey results, requesting CAS participation in clarifying needs and desires of the membership.

C. Finance and Investment Committee: Bill Boisture, Chair, reported the committee reviewed the proposed Fiscal Year 2008 AOG Operating Budget, and recommended it for the upcoming fiscal year. Leslie Frank then briefed the financial specifics, covering the March 2007 year to date results. Net income of \$6.4 million was \$4.1 million better than planned, based on revenue \$3.1 million higher than expected, and expenses \$1 million lower than planned. The increased revenue was due to increased contributions, investment income, and dues. The decreased expenses resulted from unfilled vacancies, lower travel costs, and savings in fundraising expenses and other member support. Leslie also briefed investment returns, asset allocations, and income by fund type. Ted Legasey pointed out that, while the AOG presently reports quarterly investment results in the interest of being perfectly transparent, most financial advisors suggest and most nonprofit organizations report investment results on an annual basis. He suggested that the new board would need to make a policy choice on the reporting frequency for investment results. Steve Dotson asked about the disadvantage of quarterly reports; Gil Mook responded that there would always be down quarters, and it was important for the

membership to focus on annual results, not quarterly ones, which could induce short-term behavior.

Leslie then covered the financial status of the Memorial Pavilion, pointing out that 89% of the total funds to be spent had been contributed specifically for the Memorial Pavilion by donors. Unrestricted campaign funds are currently planned to be used to cover the remaining 11% of the cost unless additional gifts specifically designated for the Memorial Pavilion are received. Thus, there are still opportunities for individuals and classes to donate to the Memorial Pavilion in a positive and lasting way. Finally, Leslie addressed the Fiscal Year 2008 proposed budget, covering basic assumptions and explaining the numbers. John Moore commented that in the eight years he has served on the board, the budget process has matured greatly, becoming much more sophisticated, professional, and in line with industry norms. Ted agreed but also noted that there was still room for continued refinement, particularly in the separation of capital and operating expenses in the budget reports. Marty France stated that he would be interested in seeing specifics regarding uncollected pledges. Bill pointed out that while there were both risks (particularly because of the uncertain environment surrounding fundraising) and opportunities (upside investment returns) inherent in the budget, he still recommended on behalf of the Finance and Investment Committee that the board adopt the budget. John moved to approve the Fiscal Year 2008 Operating Budget, Marty seconded the motion, and all were in favor.

D. Campaign Steering Committee: Because Jack Kucera, Co-Chair, was not in attendance, Mark Hille briefed the quarterly campaign update. Contributions reached \$38.1 million through the end of the third quarter of Fiscal Year 2007, and are on track to finish the fiscal year near the \$40 million Fiscal Year 2007 goal for the campaign. Atypical of most campaigns, 55% of the contributions are either unrestricted or undesignated, giving the AOG more flexibility in the use of such funds. Graduates have donated 56% of the total contributions. In addition, the committee continues to seek commitments from individuals and classes to fully fund the Memorial Pavilion. Finally, given a stable fundraising environment and retention of current staff, the total campaign goal for Fiscal Year 2008 was set between \$7-9 million.

Bill Boisture followed with a discussion summarizing the background of the campaign and suggesting a path for the future. He reminded the board that after the new bylaws were approved by the membership, private fundraising became a core purpose of the AOG. Based on this direction, during the summer of 2006, the Campaign Steering Committee (CSC) began to investigate various organizational options under which the AOG could best support this core purpose. After studying the structural setup at Annapolis, West Point, and other nonprofit organizations, the CSC determined that a foundation structure with its attributes of continuity, permanence and stability would be suitable and preferable for the AOG. The concept was initially proposed by the Foundation Subcommittee at the October 2006 board meeting and at the urging of the board was subsequently discussed at town hall meetings in various venues across the country. Based on the feedback from these discussions, the initial concept was set aside and the framework for a revised concept was posted on the AOG website. After some time passed during which minimal comment by members was received, the CSC drafted a proposal and recommendation for the new Board of Directors. At this point, Bill distributed the proposal to

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the board for review and comment. He explained that the CSC had determined that a successful, inclusive private fundraising effort such as a foundation would support and enhance the institution. Leon Smith-Harrison asked what the AOG would be like without a fundraising effort, and the board agreed it would look like it did in 1990, with seven staff members, a magazine, and no ongoing support to cadets or the graduate community. Ted Legasey pointed out that if the AOG rejected the lead role in raising private funds for the Academy, other organizations would be happy to pick up the challenge. Ted further opined that the AOG needs a strong organizational fundraising entity for three reasons: to attract the talent, both board level and staff, required for successful fundraising; to engender confidence in donors; and to maintain the support of the leadership of the corporate Air Force and Academy. Bill further noted that with ten departing directors, a significant change in the CSC and the Development Department not fully staffed, there is significant risk that the AOG could lose momentum in the fundraising effort if the board does not quickly and decisively state its commitment to private fundraising and establish a structure to support same.

Pat Rosenow remarked that after discussions with the new board members, he was assured that the four in attendance appeared to be fully committed to the idea of the AOG role in fundraising. All of the new board members agreed. Pat further noted that the new board members present, along with the carry-over board members, decided to meet in early July once they were seated as board members to form a working group to address the issues raised by the CSC. They want to alleviate any concern among members that the new board would not support a fundraising effort, and were prepared to commit to developing an appropriate fundraising framework.

Dick Sexton then suggested that the CSC's proposal be amended to involve a role for the CAS in communicating the need for private fundraising to the membership. Bill agreed, and Terry Drabant added that the CAS could be asked to respond to the ten issues/questions proposed by the CSC. Bill added that based on the experience of the CSC, he recommended to the new board members that they maintain the current committee members as an interim step leading to a more permanent structure.

Jim Wheeler observed that the new board members present could endorse the proposal made by the outgoing board. Steve Finch opined that he wanted to be clear that those new and incumbent members present were not trying to speak for members of the new board who were not present (Fred Gregory). All agreed. Ted said that such a step would send a positive message to all members, including current major donors to trust in the commitment of the new board.

Steve Dotson stated that he did not intend as the leader of the proposed working group to simply perfect the CSC proposal. He repeatedly stated that he had a broad range of options and that the board's recommendation would be analyzed as one option. When asked to elaborate on the options he declined. Ted and Bill assured him that the proposal was simply meant as a recommendation, he could discard it if he wanted, but it represented the best thinking of the current board and was the result of several years of work, AOG investment and experience. Leon added that the recommendation was based on months of evaluation and discussion and that the new board should realize that they were responsible for creating an approach that had the

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credibility and permanence necessary to address the issues raised by the CSC. He didn't want the new board to feel like it was off the hook to come up with a solution. Steve Dotson replied that he understood that he was still on the hook. Bill pointed out that there was not a total change of the guard—that five *current* board members making this recommendation would become part of the new board: Pat Rosenow, Mike Flynn, Steve Finch, Ed Eberhart and Bill himself.

Marty France suggested a minor change to paragraph 10b of the CSC proposal, qualifying the freedom of trustees to form relationships. The board settled on the words: “place no *undue* limits on *proper* relationships ...” Bill suggested that the first sentence, paragraph two, of the recommendation section be amended as follows, “...continue communication efforts in the May-August timeframe, *including the use of the Class Advisory Senate*, with the details...”

Bill moved that the board approve the Statement of Position and Recommendation, as amended, to be presented to the new board for their consideration (Attachment 5). Pat seconded the motion, and all were in favor.

Ted then added that Pat's assurance of a commitment by the new board to a fundraising effort, tempered by Steve Dotson's caveat that the proposal might not be adopted *in toto*, should become a point of emphasis by the new board members present. They all agreed. Ted wanted the new members to appreciate that an endorsement of fundraising as a core purpose of the AOG, as well as their concerted effort to form a working group to explore the best option for carrying out that purpose, would help assure all members that there would not be a disruption in the direction of AOG fundraising efforts.

E. Class of '61 Gift Report: Marc Anderson introduced a proposal by the Class of 1961 to fund a 50th reunion project in the form of a hotel on the grounds of the Academy, somewhere in the vicinity of the cadet area. The Falcon Hotel would provide a “home” for visiting grads along the lines of the Thayer Hotel at West Point. Marc introduced Sam Hardage, CEO of Hardage Suite Hotels, LLC, to present the concept. Sam related that the Class of 1961 had overwhelmingly voted to support the creation of the Falcon Hotel and committed to a 50th reunion gift of \$1 million for the hotel. Their vision was to create a self-sustaining, first-class, 200-250 room hotel and meeting center at the Academy to serve the lodging and meeting needs of the Academy. The hotel would be owned and operated as an independent 501(c)(3) organization with a board of directors composed of stakeholders. Sam is currently funding a feasibility study by PKF Consulting to determine the size, components, optimum location, and financial parameters of the project.

The Class of 1961 believes that there is an increasing need for such a facility to enable the Academy to host reunions, Graduate Leadership Conferences, National Character/Leadership Symposia, Falcon Foundation events, cadet candidate visits, Parents' Weekends, June Week, athletic events, Air Force conferences and other signature events. Because of limited lodging on the Academy grounds and limited capability close by, such a hotel could become an invaluable resource. Sam added that the class appreciated the numerous challenges such a proposal would

face: potential opposition from HQ USAF, Air Force Services, local hotels, congressional sources, funding, and potential limited access to the Academy.

Gil Mook wondered if the project was not commercially viable, then who would pay for its long term existence. Sam responded that part of the feasibility study would determine whether the hotel could operate profitably. If not, the Class of 1961 would drop the proposal.

Gil further questioned where the hotel should be placed on a list of funding priorities for the comprehensive campaign if the campaign's purpose is to build leaders of character for the nation. Sam replied that building a hotel obviously was not a life or death issue, but if it performed the function of reaching out to people who haven't experienced the Academy and helped to market the Academy to the American public, then it could potentially attract more qualified cadet candidates and more enthusiastic supporters for the Academy.

Terry Drabant asked about the total cost of the project. Sam believed that a ballpark estimate was \$50 million. Terry commented that for the board to spend \$50 million of its \$100 million comprehensive campaign on a hotel could send a negative message about the priorities of the AOG. Sam appreciated the reservation, but said the hotel would strive to be debt-free as soon as possible, with a healthy operating reserve. Again, he stressed that if the hotel could not generate income to fund other Academy programs, the Class of 1961 would not pursue it.

Ted Legasey attempted to summarize the sense of the discussion by characterizing the proposal as an "aspirational idea" that would be a wonderful addition to the Academy if we could just "snap our fingers" and have it in place – but it would require a lot of spadework and analysis to make it happen. Subject to all the studies, however, he opined it would be great to have such a facility on the Academy grounds – if all the hurdles along the way could be met. Ted queried the board to determine if anyone objected to voicing support for the project so that further feasibility work could continue. Upon no objection, Ted stated that, subject to all detailed questions regarding its feasibility, the AOG would support further development of the idea of a Falcon Hotel. It was the sense of the current board members, as well as the new board members in attendance, to encourage and support this project at least through the conceptual phase.

F. Graduate Dependent Scholarship Committee: Amber O'Grady, Chair, briefed the outcome of the committee's review and selection process. After reviewing 87 scholarship applications from AOG members' children, the committee selected 18 recipients for financial assistance in pursuing postsecondary education. Amber presented the names of the scholarship selectees and the amounts awarded to each. Three of the scholars are repeat winners. Eight are currently enrolled in undergraduate degree programs and ten are completing high school this semester.

Amber also presented the board with a draft charter for the committee. Because the previous charter had not been reviewed or updated in a decade, this draft charter more closely aligns with current procedures, and will be presented to the new AOG Board of Directors for approval.

Edie Edmondson moved to approve the list of scholarship recipients. Al Rogers seconded the motion, and the motion was carried with all in favor.

G. Heritage and Traditions Committee: Bees Kellenbence briefed the update of current projects. Details are being finalized for the Falcon Statue. The Mall of Heroes, sponsored by the Class of 1964, will break ground in August 2007. The expansion of the Heritage Trail will break ground after In-Processing for the Class of 2011 (June 28, 2007). The Admissions Welcome Center, sponsored by the Class of 1969, had to be re-designed after increased security requirements were imposed. The plan is to break ground in the fall of 2007 in order to be completed by the Class of 1969's 40-year reunion in 2009; to date the class has raised about half the required funds. The Howard H. Burkart Storyteller Exhibit will be installed at the Falcon Athletic Center to provide the history of the Academy's Athletic Department. Finally, a Buddhist Chapel will be installed in the All Faiths Room as part of the Cadet Chapel to serve the small but active Buddhist community.

Gil Mook asked how these projects were being advertised for potential support by graduates and classes. Jim Shaw replied that they are being presented for consideration by classes during reunions. Further, when a class representative calls to ask about donating money to the Academy, the AOG provides a list of projects with associated costs.

The board, including newly-elected members, applauded the work of Bees Kellenbence as Memorial Pavilion Project Manager for bringing the project to completion on-time and under budget.

H. Nominating Committee:

Executive Session (Current Board Members and Nominating Committee Only): Ted Legasey excused all other attendees in order for the Nominating Committee to review guidance for appointing an Interim Board Chair. Al Rogers, Nominating Committee Chair, presented the bylaws provisions regarding an Interim Board Chair, explained that if the new board met as expected in July 2007, and elected the Board Chair. The committee recommended, and the board elected, Ed Eberhart as Interim Board Chair.

Open Session (all other attendees returned): Al Rogers then reviewed the bylaws guidance for the AOG Board Chair. The Nominating Committee will contact the eleven members of the new board and ask each if he is interested in being a candidate or seeks to recommend someone for the position of AOG Board Chair. The committee will meet and provide the list of volunteers for the AOG Board Chair by June 15, 2007. The list will be sent on or before June 15, 2007, to the Board Chair, Interim Board Chair, Vice Chair, and President & CEO. The Board Chair will provide a copy to all current and new board members. Pursuant to the proposed timeline, on August 11, 2007, the next quarterly board meeting, or sooner if the board decides to convene, the election of a new AOG Board Chair will be the first point of business.

V. NEW BUSINESS:

Jim Shaw referred the new board members to the committee requirements which will necessarily be filled by the new board. He also recognized the outgoing board members by presenting certificates and by showing pavers engraved with their names and dates of service to the board. Bill Boisture complimented the current board with achieving a 95% attendance record. Ted Legasey finished by expressing his gratitude to the AOG staff members for their patience and help, and recognizing other members who attend the Board of Directors' meetings faithfully to represent other graduates and report back to the community.

VI. EXECUTIVE SESSION (Current Board Members, With New Board Members Invited):

The Executive Session focused on a status update on the search for a Chief Operating Officer (COO), a discussion of board member performance, and the annual performance review of the President & CEO. Invited new board members participated in the discussion of the first two items, but did not participate in the discussion led by the Compensation Committee of the President & CEO's annual performance review.

Normally the proceedings of an Executive Session discussing personnel matters is confidential and is not reported in minutes. However, with the concurrence of the candidate, the minutes of the discussion of the COO search portion of the meeting and of personnel matters follows.

COO Search Committee Report: Ted Legasey reviewed the history of the COO search. One year ago in May 2006, the board authorized the position of COO and formed a search committee to find a candidate. The board felt that a COO was necessary to help the organization mature and enhance the day-to-day operations of the staff. Moreover, with the right person in place, it would help set the stage for a new President & CEO to be selected by the new board when Jim Shaw's contract expires next year. Mike Christy was appointed Chair of the COO Search Committee.

Background: In early March 2007, but after election ballots for the AOG Board of Directors election were mailed, Mike offered to be considered as a candidate for COO. After interviews by each member of the search committee, the committee unanimously recommended the hiring of Mike as COO. An offer was extended on April 6, 2007, which was subsequently revised on May 2, 2007. Mike had not accepted or rejected the offer at the time of the board meeting, but the offer was set to expire on May 15, 2007.

Discussion: Mike presented the board his proposed approach to COO responsibilities, as well as a review of the issues that arose during the COO search.

Mike then explained that his focus would be to develop an understanding of staff concerns and capabilities; to put policies and procedures in place to support a world class standard of service

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to the members; and to select the right people to do the job – developing those who could develop, and replacing those who could not. He described a team of consultants and companies whose service he had already secured on a *pro bono* basis to help develop and inculcate a creed and culture of world-class customer (member) service. Finally, Mike explained that his philosophy of the relationship between the AOG Board of Directors and staff would ask the board to set the policy and strategy, and task the staff through the COO to carry out its functions.

Mike then turned to describe how he came to apply for this position and the events that ensued. He explained that when the initial candidate offered the job did not accept the position earlier this year, he agonized over the fact that this was a great position that had the potential to significantly make a difference for the AOG. He knew he was superbly qualified, but he had never seriously considered the job himself. He talked to his family and decided to pursue the position. He described that he had not anticipated this turn of events, being quite satisfied in his home, his environment, and his retired status, looking forward to increased leisure time with family and friends. However, he began to think of the job as a challenge, a duty, and an opportunity to use his particular skills for the good of the AOG. With the support of his family, he informed Ted Legasey that he had decided to throw his hat into the ring. Immediately, he resigned from the COO Search Committee and Ted assumed the committee chair's responsibilities in order to keep the process in motion. Ted called each of the committee members to explain the change in circumstances. All members had lots of questions about how to proceed appropriately, including whether there was any conflict of interest in Mike being a COO candidate given his status as a candidate for the AOG Board of Directors election; given his position as the COO Search Committee Chair; and when and how the members should be informed. All committee members eventually interviewed Mike and unanimously recommended his hire.

The timing of the change in Mike Christy's status was awkward. He was a candidate for election to the new board which would be seated on July 1, 2007, and he was the former COO Search Committee Chair. Ted called each board member to inform them of Mike Christy's offer to apply for the COO position and of the committee's recommendation to hire. All had questions similar to those raised by the COO Search Committee, but particularly about whether to let the election proceed without releasing this additional candidate information. Pat Rosenow recommended informing the membership in the interest of full disclosure, but the consensus of other board members was to let the election proceed without delay or confusion and so that no candidates could be disadvantaged by Mike's candidacy for the COO position. Mike Christy was offered the COO position on April 6, 2007.

Mike then explained that he signed the offer immediately, but did not plan to send his acceptance until after the election was over on April 30, 2007, so that the election would be undisturbed. Unfortunately, his acceptance was delayed by the untimely disclosure of his candidacy for COO near the end of April, which led to public assaults on his integrity and charges of unethical conduct. These allegations harmed Mike and exposed the AOG and any board members involved in the breach to significant potential liabilities.

Mike stated that there was no inherent conflict of interest for a board member to take a position in the organization for which he serves. Ted observed that not only is it *not* uncommon and *not* unethical for someone on a search committee to be hired by the organization, but it also happens reasonably often. Mike and Ted further explained that conflict of interest provisions in the bylaws of corporations, not-for-profit organizations, philanthropic organizations, and associations, including ours, are intended to prevent directors from taking employment or financial remuneration from vendors or strategic partners. They are in no way intended to prevent a sitting board member from accepting a position in the organization. Answering a question from Steve Dotson, the Board Chair stated that our AOG bylaws were followed to the letter in this situation.

On May 2, 2007, the board met via teleconference to answer some 11th hour questions by two board members, to explore the breach of confidentiality which had occurred, to disavow the actions of the breaching parties, to walk through the procedures followed in order to ensure all board members understood that all actions had been above board, to hear any reservations, and vote on the way forward. Upon discussion of the issues, the board agreed to support the offer to Mike Christy, but to make modifications, suggested by Mike, to the original offer letter to give the new board some additional flexibility. Ted circulated the revised offer to all board members, and no objections were received. The new board members generally expressed their support of Mike Christy's approach to the job, but reserved judgment on the appropriateness of the process until they could understand it fully (Ed Eberhart left the meeting via telephone).

With the discussion of the COO search complete, the meeting then turned to a discussion of board member performance – specifically, the importance of maintaining confidentiality of executive session proceedings, in light of the previous disclosures that included COO search results.

VII. EXECUTIVE SESSION (Current Board Members Only):

John Moore presented the Compensation Committee results and recommendations for Fiscal Year 2007 President & CEO incentive compensation and Fiscal Year 2008 base pay. Edie Edmonson moved that the recommendations be adopted, Al Rogers seconded the motion, and all were in favor with one abstention by Mike Christy. John Moore stated that the new board would need to reassess incentive compensation targets for the President & CEO in light of the COO offer and establish appropriate bonus targets for the upcoming year.

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VIII. ADJOURN:

Meeting adjourned by the Board Chair at 3:15 p.m.

James A. Shaw, '67
President & CEO
Association of Graduates

Marianne O. LaRivee, '80
Secretary, Board of Directors
Association of Graduates

Attachments:

1. [Board Briefing Slides \(open session\)](#)
2. [Letter and Election Report from SBS dated May 2, 2007](#)
3. [Secretary's Certification of Election dated May 11, 2007](#)
4. [Class Advisory Senate \(CAS\) Procedures w/board amendment included](#)
5. [Statement of Position and Recommendation w/board amendments included](#)