

**ASSOCIATION OF GRADUATES**  
UNITED STATES AIR FORCE ACADEMY 

**BOARD OF DIRECTORS MEETING**

**3 December 2010**

**Provisional Meeting Minutes**

**DRAFT**

**Board Members Present:** Terry Storm, '61, Chair; Brian Binn, '72, Vice Chair; Bob Munson, '73, Secretary; Howard Jack Fry, '67, Treasurer; Vic Andrews, '66; Steven Beasley, '93; Rip Blaisdell, '62; Roger Carleton, '67; Tom Lockie, '79; Mark Rosenow, '03; George Van Wagenen, '67; Jim Wheeler, '64.

**Board Members Participating By Phone:** Bill Stealey, '70; Pat Rosenow, '76.

**Board Members Absent:** Frank Schmuck, '88.

**AOG Staff Present:** William 'T' Thompson, '73, President & CEO; Gary Howe, '69, Executive VP; Alton Parrish, CFO; Marty Marcolongo, '88, Senior VP for Business Development; Bob McAllister, Vice President for Communication; Jack Mueller, '70, Director of Information Systems; Ruth Reichert, Executive Assistant.

**Members and Invited Guests Present:** Dick Sexton, '60, President, Class Advisory Senate; Brig. Gen. Richard Clark, '86, USAFA Commandant of Cadets; Col. Bart Weiss, '86, USAFA Preparatory School Commander; Nancy Burns, Chief, USAFA Development and Alumni Programs; Greg Papineau, CPA BiggsKofford; Rich Abramson, '68, Chair Investment Subcommittee; Eric Craymer and Susan Radwan, consultants Partners in Policy Governance.

- I. Call to Order**  
The Chairman, Terry Storm, called the meeting of the Association of Graduates Board of Directors to order at 0800 hrs MDT, Friday, 3 December 2010.
- II. Moment of Silence & Pledge of Allegiance**  
After a Moment of Silence in honor of USAFA's deceased graduates and our nation's servicemen and women in harm's way, Steve Beasley led the Board in reciting the Pledge of Allegiance.
- III. Approval of Consent Agenda**  
The Chair asked if there were any objections to the provisional minutes of the Board meeting on August 6, 2010, and the votes for the two new members of the Nominating Committee, Sue Ross, '83, and Frank Schmuck, '88. Director Blaisdell moved, seconded by Director Carleton, to approve the consent agenda as presented. The motion passed unanimously.

**IV. Approve Agenda**

The Chair offered the agenda to the Board for suggested changes; he proposed to have the Executive Session moved to 1130 hrs. The Board accepted.

**V. Committee Updates**

**A. Governance Committee**

**1. Bylaws Task Force Report**

The Chairman explained to the Board the many hours and extraordinary efforts that the Bylaws Task Force (Rip Blaisdell, Brian Binn, Mark Rosenow, Ron Scott, Tom Hayden, Dick Sexton) put into the Bylaws, especially Director Blaisdell and Executive VP Howe. He reminded the Board that the discussion to follow would not address non-substantive changes (typos, format, etc) which could be directed to the Task Force after the meeting. Director Binn added that Peter Nagel, the AOG's legal counsel, also provided several reviews.

Director Blaisdell first offered the following motion.

MOTION: Director Blaisdell moved to approve the 30 November Bylaws draft as presented by the task force. The motion was seconded by Director Binn.

Prior to vote, Director Blaisdell reviewed the Bylaws page by page, highlighting recommended changes made since the last BOD meeting. As he did this review, the Board entertained motions to amend.

During this review Director Wheeler offered the opinion that the Board may wish to limit the terms of appointed directors to last until the next election, at which point those directors may run for a second term. A number of directors gave their support for continuing the current Bylaws practice that allows appointees to serve up to four years. Director Wheeler was offered the opportunity to make a motion, but declined.

Director Munson, noting that the draft Bylaws limit the office of Chair and Vice-Chair to 'elected directors', asked if replacement directors who are appointed to replace elected directors may be considered for those offices. The interpretation, and consensus, was that they filled elected positions and therefore they could be considered for those offices.

MOTION TO AMEND: Director Andrews moved to change the wording in Article V. Section 4. a. to read: "... and loyalty to the Association of Graduates (*insert:*) and its members and must .... The motion was seconded by Director Beasley and passed unanimously.

MOTION TO AMEND: Director Lockie moved to amend Article V. Section 5. d. by inserting "The Secretary shall be an AOG graduate member." as the first sentence and to amend Section 5.d. by inserting "The Treasurer shall be an AOG graduate member." In effect, this would be the same wording as the 2006 Bylaws. The motion was seconded by Director Andrews. The discussion around this motion considered the benefits of requiring

that the Secretary and Treasurer be graduates versus the loss of flexibility by having the Board constrained by the Bylaws when filling these positions. The motion passed 9-3 (Directors Munson, Carleton, and Mark Rosenow opposed).

MOTION TO AMEND: Director Munson moved to make an amendment to Article V Section 5. b. and c. to remove the word “*elected*” in both cases to read as follows: “The Chair shall be a director”; and: “The Vice Chair shall be a director.” The motion was seconded by Director Andrews. The discussion in favor focused on the flexibility of the Board to choose the best director for the Chair and Vice-Chair positions; as well as avoiding two classes of directors, all of which have the same legal duties and responsibilities to the membership. The argument opposed was that these positions should be filled with a director placed on the Board by the membership. The motion failed 5-7 (in favor: Munson, Stealey, Andrews, Fry, Lockie).

MOTION TO AMEND: Secretary Munson submitted Director Pat Rosenow’s motion to add the word “general” (“*as a general guide*”) as a reference to the use of Robert’s Rules in Article V. Section 6. Director Wheeler seconded the motion. Director Pat Rosenow’s rationale was that the Rules are followed generally. Director Binn felt the word was not needed; Director Munson was concerned that as Robert’s Rules protects the rights of individual directors, these protections might be jeopardized if those rules were only ‘generally’ followed. All directors were opposed and the word “general” will be not be used in the Bylaws.

MOTION TO AMEND: Director Munson moved to add the following to Article V. Section 10. d. viii. “Motions to hire (*insert*) or remove a President and CEO....” The motion was seconded by Director Wheeler and passed unanimously without discussion.

Director Munson suggested combining the first and second sentence in Article VI. 4. b. to read “Any director may nominate any elected director, including themselves, to be Chair as soon as possible after the election or vacancy.” The Chair directed that the change be made as a clarification to the current wording.

The Chair and other directors pointed out that the word “*biennially*” should read “*periodically*” in Article XII. Section 1.

Director Wheeler requested that in Article XII. Section 2 the “five percent” be replaced with an obtainable number. Director Binn pointed out that other avenues for change, such as a suggestion to a Board member or participation on the Bylaws Review committee, exist for the membership. Directors Blaisdell and Andrews pointed out that there should be a high standard for member directed Bylaws changes as executing a Bylaws vote is expensive in money, manpower, and time.

MOTION TO AMEND: Director Andrews moved to amend Article XII Section 2. by inserting as the first sentence “A member may propose amendments to the Bylaws to the Board for consideration.” The motion was seconded by Director Wheeler. The arguments for this change were to clarify that members have this opportunity. The arguments

against were that the opportunity for member changes have always existed as already pointed out. The motion failed 3-7 (for: Beasley, Wheeler, Andrews).

After the discussion and amendments, the Chair called the original question.

MOTION: Director Blaisdell repeated his motion from before the discussion to approve the Bylaws draft as amended. The motion was seconded by Director Binn and passed unanimously.

Director Blaisdell thanked the Bylaws Task Force and Gary Howe and Ruth Reichert for their dedicated service.

## **2. Election Plan and Timeline**

The next topic under the Governance Committee was the upcoming election.

Executive VP Howe explained the Election Plan to the Board. The draft will not be available until January, however, the candidate announcements and bylaws will be in the next Checkpoints magazine. VP for Communication, Bob McAllister, presented the details of the plan and explained the different ways the AOG will inform the membership (including Checkpoints, ZoomiEnews, email blasts, ZoomieNation, video appeals, postcards), all venues to educate, inform and motivate the membership. Voting online will be an easy and quick process. The sequence will be bylaws first, then candidates. Director Andrews suggested that class scribes should add it to their Checkpoints column to encourage their classmates. Chairman Storm thanked Gary Howe and Bob McAllister for their hard work.

## **3. Executive Limitations 2.9 – Motion to Amend**

MOTION: Director Wheeler moved, and Director VanWagenen seconded, to amend Governance Policy 2.9: Board Awareness and Support by adding the following paragraph 10. [*The CEO may not:*] Present information to the AOG membership or other interested parties pertaining to topics that are, or could become, matters of policy until the AOG Board has been informed and given an opportunity to adopt an AOG policy related to the topic of interest.

In the handout, Director Wheeler provided that “this is not intended to restrict the opinions or statements of the CEO on topics that are, or could become, matters of AOG policy. Rather, this limitation suggests that the CEO should bring his policy ideas to the Board before distributing them to non-Board individuals or audiences.” He added that in the past year there were a number of examples where, perhaps, it would have been better if guidelines had been in place. Director VanWagenen noted that in his industry he’s required to vet his presentations before the public sees them, so he sees no problem with requiring the CEO to do the same. Director Stealey agreed that there are policy issues that should be limited to the Board, but didn’t know if this was the right way to address that issue. Director Binn’s sense was that the policy manual already had some guidance that would cover inappropriate staff behavior. CEO Thompson added that the preeminent guiding policy here is that “The CEO shall not allow the Board to be unsupported in its work” and so CEO should not be making Board policy on his/her own, and thus this

change is not needed. Director Carleton's opinion was that this guideline is prone to subjective interpretation and would limit CEO ability to do his job. Director Fry's opinion was that this policy change was trying to build a fence around a CEO that is not needed. Director Wheeler said that despite any disclaimer, any opinion the CEO made on policy would be considered as coming from the Board, and he used the example of the CEO's Checkpoint article on models of fundraising organizations were covered, and the USN model was favored. Director Carleton said he had reviewed that article numerous times and that conclusions were data driven more than opinion, and reiterated that this policy would be subject to different interpretations. Director Munson pointed out that the wording covered "any topics that are, or could become, matters of policy" is a blanket that could cover any expression by the CEO and would have a chilling effect on the CEO's initiative. Director Mark Rosenow, noting that many policies are intentionally vague, felt that this proposed policy is more a guideline that the CEO could choose to not follow in given circumstances, and that the Board's approach would be to consider breaches when evaluating the CEO's overall performance.

The motion failed 13:1 (for: Wheeler).

#### **4. CEO Evaluation**

The Board went into closed session to discuss the CEO Evaluation; once complete the Board resumed business in open session.

MOTION: Director Binn moved to approve the CEO evaluation and bonus. The motion was seconded by Director Andrews and passed unanimously. The Chair will present the Board's evaluation to the CEO.

#### **5. Board Committee Strategic Plans**

The Chairman asked the Governance Committee to construct a draft strategic plan for the Board using the individual committee strategic plans as a starting point. Director Binn accepted and added that it will be a fairly elaborate process and not just a compilation of the committee strategic plans. The Chairman asked the Board to review the individual strategic plans.

#### **B. Nominating Committee**

MOTION: Director Andrews moved to approve all 18 candidates for the 6 available Director slots. Director Carleton seconded. The motion passed unanimously (Recused: candidates for election Munson, Mark Rosenow, Beasley, Lockie, Fry).

#### **C. Audit Committee**

Director Van Wagenen stated that the AOG Audit Committee met on the 17th of October with our auditors, BiggsKofford PC, to go through the audit in detail. He introduced Mr. Greg Papineau from BiggsKofford who reviewed the financial statements for the Board and answered questions. Mr Papineau summarized that BiggsKofford is providing an 'unqualified opinion', the highest level of assurance they can give as CPAs on the audit. At the conclusion of the briefing, the board chairman thanked Mr. Papineau as well as the AOG staff and board members who participated in the audit.

MOTION: Director Van Wagenen moved to approve the audit as presented by Mr. Papineau. The motion was seconded by Director Andrews and passed unanimously.

#### **D. Finance & Investment Committee**

##### **1. Investment Subcommittee Briefing**

Investment Sub-Committee Chair Rich Abramson called in for his presentation to the Board. Before going into investment details he also gave a brief introduction of the members of the Sub-Committee: Chair Abramson, '68; Jack Fry, '67; Rod Hennek, '75; Dr. William Jennings; Lou Kingsland, '59. In summary the AOG's investments are up 11%, or \$3.4M, for fiscal 2010; the investments have outperformed its benchmarks for six of the last seven years. Chairman Storm thanked Mr. Abramson for his support of the AOG and the Board.

##### **2. Motions to Amend**

Following Board direction at the last meeting Treasurer Fry presented three motions for consideration.

MOTION: Director Fry moved, and Director Binn seconded, that the Board directs that the Treasurer develop, with the AOG staff, a written directive for the distribution and control of the AOG Endowment and the Cadet Leadership Enrichment Series Endowment funds. The Treasurer will distribute the proposed directive as a motion to all Board members three weeks prior to the next meeting for consideration and debate. It passed unanimously without debate.

MOTION: Director Fry moved to amend Governance Policy 2.6 to read:

The CEO will not fail to insure the investment of operating capital and reserve funds in accord with the current Board Investment Policy, as defined in the Board approved Financial Management and Investment Policy (FMIP). (*Add:*) Accordingly, the CEO will not fail to:

1. Budget for and grow the AOG Reserve to not less than one million dollars by 30 June 2015, and shall not
  - a. Use more than half of the AOG Reserve in any fiscal year without prior Board approval;
  - b. Fail to inform the Board on the use of AOG Reserve funds at the next Board meeting;
  - c. Fail to replenish funds used.

The motion was seconded by Director Carleton. The CEO noted, with the Treasurer and a number of directors concurring, that this policy may result in the liquidation of some investments to fund the AOG Reserve. It passed unanimously.

MOTION: Director Fry moved, and Director Carleton seconded, to amend FMIP section 1.11: "Operating Funds and Short Term Accounts" to read as follows:  
1.11 Operating Funds, (*add*) *AOG Reserve*, and Short Term Accounts

The AOG has needs for short term cash for operating funds, a rainy day fund (reserve), endowment commitments, and to accomplish contract provisions of some fund agreements. These funds may be invested in Short Term Accounts and include but are not limited to:

- 1) Assets the AOG anticipates using in a short time period, or
- 2) Assets the AOG believes should be exposed to limited market volatility.
- 3) *(add) The AOG Reserve.*

Based on this investment objective, these assets will be held separate from the pooled invested funds and separately invested in high quality short-term instruments with maturities of two years or less.

The CFO shall attempt to limit cash on hand to the usual amount needed to conduct regular operations. Funds held in the Short Term Accounts shall be accounted for and reported as per the normal financial reporting procedures in the FMIP.

Class Agency Funds provide the classes a means of collecting and disbursing funds for class activities (e.g. class reunions). Since each class needs access to its class agency funds prior to and during class reunions, AOG policy is to allow classes to move their funds into Short Term Accounts during reunion planning and execution to offer immediate liquidity, with minimal market exposure and back into the Investment Portfolio for the time between reunions as determined by a Memorandum of Understanding (MOU) between the AOG and the class.

*(Add:) Interest or income derived from the AOG reserve account will accrue to the reserve account. Other interest or income derived from the Short Term Accounts will accrue to the general operating funds of the AOG.*

The motion was seconded by Director Carleton and passed unanimously without debate.

#### **E. Distinguished Graduate Award Committee**

The Chairman of the Distinguished Graduate Award Committee, Director Carleton, informed the Board that two awardees had been selected and both have accepted. Since the required background checks had not been received yet, the names were not announced.

The Distinguished Graduate Committee consists of Chairman Roger Carleton, '67; Dean of Faculty, Brig. Gen. Dana Born, '83; Randy Cubero, '61; "T" Thompson, '73; Gary Howe, '69.

#### **F. Heritage & Traditions Committee**

The Chairman of the Heritage and Traditions Committee, Director Andrews, told the Board that he was looking for the approval of the concept for a POW recognition sculpture in the Southeast Asia Pavilion. The project will be coordinated with the AOG, the Superintendent, and the Class of 1970. Final design will be approved by the Board.

MOTION: Director Andrews moved that the Board approve the concept of a POW recognition sculpture in the Southeast Asia Pavilion. The motion was seconded by Director Lockie and passed unanimously.

### **VI. Guest Speaker: Brig. Gen. Richard M. Clark, USAFA Commandant of Cadets**

General Clark was welcomed and introduced by Chairman Storm. He briefed the Board on what was going on with the Cadet Wing, and said that despite different technologies today, the cadet wing is still the same at its core. He talked about Academy Military Trainers, explained the PEER Program to the directors, discussed the progress of the Center for Character and Leadership Development, and told the Board that they are in the process of doing a complete inventory of all 103 cadet programs. Non-mission essential programs must not interfere with the cadets' duty, but these programs are valuable as they contribute to cadet personal development. Demographic diversity is essential: the Commandant included the importance of diversity of thought and his efforts to ensure that the cadets leave the Academy as proud, non-cynical, leaders of character.

**VII. Guest Speaker: Col. Bart Weiss, '86, USAFA Prep School Commander**

Colonel Weiss was welcomed and introduced by Chairman Storm. After his introduction, he talked about the challenges of having only one year to prepare and motivate 240 men and women to go to the Academy. He also noted that the Prep School enjoyed an 83% graduation rate. The instructors are 60% civilian and 40% military. Colonel Weiss invited all grads to visit the prep school, talk to the students and to help motivate these future cadets. The Chairman thanked Colonel Weiss for his briefing. He also welcomed Nancy Burns, Chief, USAFA Development and Alumni Programs, who had attended both guest speeches.

**VIII. AOG/USAFA Endowment Joint Coordinating Committee**

Director Carleton talked about the purpose of the past two meetings discussing the JCC progress and the MOU. He announced that there will be follow-up negotiations in early January 2011. The CEO added that they had completed the first great step by coming together to put the graduate community at ease. He noted that there is still much work to be done to put the two organizations together (friendraising and fundraising) in the most effective and efficient manner.

**IX. Class Advisory Senate Update**

Senate President Sexton briefed the Board on the Senate meeting of November 17<sup>th</sup>. The Senate discussed the draft bylaws and is on board to encourage the classes to vote. At the meeting they also tried out a web camera that was installed by AOG staff to make it possible for members to watch the meeting from their home computer. The Senate Facebook account, previously discussed, has also been set up as previously reported. The Senate currently has representatives from 42 classes (out of 52) and Dick Sexton was re-elected as Senate President. President Sexton met with the Superintendent, and General Gould agreed to speak at the next Senate meeting on January 10, 2011. As always, Board directors are welcome to attend the Senate meetings.

**X. CEO Report**

**A. Quarterly Financial Update**

The CFO presented the statements showing the AOG's financial position, and continued with a page by page explanation of the financial statements, in both 'Generally Accepted Accounting Practices (GAAP)' and cash terms, together with a detailed management discussion and analysis.

### **B. CEO Monitoring Report: Policy 2.8, 2.10**

The CEO briefed the Board on the following monitoring reports: Compensation and Benefits; Programs/Events/Services. The CEO is in compliance with all of the Board's Executive Limitations. Director Andrews requested to have the policies marked "in compliance" to standardize them.

### **C. AOG Operations Update**

The CEO briefed the Board on the following topics:

#### Chapters

There are currently 43,000 graduates, and the AOG now has 54 chapters, 18 in progress, and 37 ambassadors who volunteer as POCs for other grads in areas where no chapter has been established. Since April 2010, the AOG has enjoyed an over 75% growth rate in new chapters.

#### Membership

The Board has approved the new dues structure at the May meeting, and gained 1,336 new members since July 1, 2010

#### On The Horizon

- The AOG is currently working on Falcon Alliance/True Blue, program targeted at the Colorado Springs business community.
- A new website is in design by the communication department, and VP for Communication, Bob McAllister, together with his staff (incl. two new employees with broad expertise) have done extensive research to improve the organization and functionality of the website. They will also launch an online user survey tool to get feedback from members to offer a better user experience.
- The CEO has plans to add an exhibit in the Hall of Exemplars at Fairchild Hall that focuses on the contemporary accomplishments of our graduates, similar to the one at the Naval Academy.
- The Ring Display at Doolittle Hall has been enhanced and is now more educational, and also more attractive.

## **XI. Unscheduled Business**

### **Policy Governance Discussion**

Director Stealey introduced Eric Craymer and Susan Radwan, both consultants at Partners in Policy Governance, who called in to discuss the two questions that Director Stealey had presented for their consideration: 1. "How does the Board of Directors do its job to 'define expectations and demand achievement' as required by Policy Governance if Ends do not have metrics?" and 2. "Do the current AOG Ends fit the Policy Governance Model properly?"

Both consultants critically examined the Board Ends and briefly explained their findings. Susan Radwan's first opening comments were that the Ends need work, but that the operational interpretation and monitoring pieces appear to be missing. Every policy, including Executive Limitations and Finance Policy, should have an interpretation for staff to follow. The AOG's Strategic Plan is part of the operational interpretation and should define goals and results. Staff interpretation of policies helps the Board understand that systems are in place, that they are working, and that the organization is

heading in the right direction. Eric Craymer followed that the Board's role in monitoring performance consists of determining two things: is the operational interpretation of policy reasonable and does the data show that the results the Board wants are being achieved.

Director Binn noted that much of what the consultants discussed is in place, and used the example of the CEO's Strategic Plan that, to his reading, had a minimum of 28 metrics most of which were quantifiable. His assessment was that, while improvements in policies could be made, we are much further along this process than some people think. Director Andrews stated that in his opinion the AOG had two constituencies, the graduates and the Academy; Director Stealey responded that this alumni organization should further consider whether it has a responsibility to the Academy. Chairman Storm stated that the Board has had this discussion many times and determined that this organization has a three part mission (graduates, Academy, and heritage) which is stated in the Bylaws, including the draft just approved by this Board.

Ms Radwan, responding to Director Mark Rosenow, noted that the AOG 'tripartite mission' splits the focus of the AOG. She then stated that policy governance is absolutely appropriate for an alumni organization, cautioning that the Board should set the vision and delegate properly and stay out of the operational weeds, while remaining accountable to the ownership.

The Board Chair stated it is always good to get outside opinions, and that the Board will take the briefing as constructive criticism. He thanked the consultants and Director Stealey for their inputs.

## **XII. Adjournment**

The Chair thanked the Board directors, committees, Bylaws Task Force, AOG staff, and Senate President for their efforts. He reminded the Board that the next Board meeting will be on February 4, 2011. The meeting adjourned at 1615 hours (MDT).

**NOTE:** Some minutes have been rearranged from time sequence into topical sequence.

Respectfully submitted,

Ruth Reichert, Recorder  
Robert Munson, Secretary

Attachments:

1. AOG Board Presentation
2. Financials – Management Discussion and Analysis
3. AOG BOD Meeting Minutes 6 Aug 2010
4. Board Candidates for Election
5. Partners in Policy Governance Comments