

ASSOCIATION OF GRADUATES

UNITED STATES AIR FORCE ACADEMY



BOARD OF DIRECTORS MEETING

February 5, 2010

Provisional Meeting Minutes

DRAFT

Board Members Present: Terry Storm, '61, Chair; Brian Binn, '72, Vice Chair; '63; Bob Munson, '73, Secretary; Howard Jack Fry, '67, Treasurer; Vic Andrews, '66; Rip Blaisdell, '62; Roger Carleton, '67; Bill Stealey, '70; George Van Wagenen, '67; Jim Wheeler, '64

Board Members Participating By Phone: Pat Rosenow, '76; Mark Rosenow, '03

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

Members and Invited Guests Present: Dick Sexton, '60, President, Class Advisory Senate; Dick Rauschkolb, '70; Dr. Erv Rokke, '62, President, USAFA Endowment; Mark Hille, '97, Vice President of Development, USAFA Endowment; Lt. Gen. Michael C. Gould, '76, USAFA Superintendent; Dr. Hans J. Mueh, '66, USAFA Athletic Director; Maj. Michael Drowley, '96, USAFA CAG; Nancy Burns, USAFA, Chief, Development and Alumni Programs

- I. Call to Order**

The Chairman, Terry Storm, called the meeting of the Association of Graduates Board of Directors to order at 0800 hrs MST, Friday, 5 February 2010.
- II. Pledge of Allegiance**

Board of Directors and guests recited the Pledge of Allegiance.
- III. Closed Session for Nominating Committee Report and CEO Contract**

Chairman Storm announced that the Nominating Committee Report and CEO Contract will be discussed in closed session later that day.
- IV. Approval of Consent Agenda**

Director Wheeler asked to take the November Minutes out of the Consent Agenda to be discussed under "Unfinished Business."

As there were no other objections the December Teleconference Minutes stand as written.
- V. Approve Agenda**

The Chair offered the agenda to the Board for suggested changes; hearing none he declared them approved.

VI. **Committee Reports**

Government Committee

Bylaws Task Force (BLTF)

Director Blaisdell reported that the BLTF was actively working on proposed changes. He explained that the BLTF meets every two weeks at Doolittle Hall using 'Go-to-meeting' so that non-locals can participate as well. The members are Directors Blaisdell (Chair), Binn, Mark Rosenow, Ron Scott, Tom Hayden from the Senate, and Gary Howe representing the AOG.

They are working on a comprehensive, yet simplified, re-organization of the Bylaws, which should be ready by the August meeting and receive feedback before the November meeting. Director Binn added that a 25% vote is needed and that they have to make sure that the Directors understand the changes. Director Wheeler suggested that proposed changes should be published in Checkpoints. Director Binn asked for everybody's input.

Nominating Committee

The Nominating Committee Report will be discussed later in closed session under 'Unfinished Business.'

Audit Committee

Director Van Wagenen reported that the Form 990 is in progress. CFO Parrish estimated to it will be completed by February 16th and will be submitted to all Board members for review. This is a new requirement for Board of Directors to see it before it is filed. The new Form 990-T (unrelated business income tax) is expected to be filed on time.

Finance & Investment Committee

Director Fry began his briefing with an investment summary (*attachment 2a*), which was quite positive, and also gave an outlook of the Investment Subcommittee including references to the Madoff-related funds (*attachment 2b*).

MOTION: Director Fry moved to add the following to paragraph 1.5, subsection 3, of the FMIP after "Review the annual budget prior to staff presentation to the BOD.": "*with emphasis on: (a) How the budget aligns with the Ends as outlined in BOD Governance Policies and (b) How the budget supports specific friend raising activities, for example, chapter growth and graduate outreach activities.*"

The motion to adjust 1.5 was seconded by Director Stealey. The motion passed unanimously.

MOTION: Director Fry moved to replace the entire FMIP section 1.10 Life Membership Dues with the following:

1.10 Life Membership Fund (LMF)

The Life Membership Fund contains the accounts used to invest, monitor, and control fees received as a result of the AOG's agreement to provide lifetime services to members who have chosen this membership option.

Life membership dues are added to the Life Membership Fund when they are received (or upon Class graduation, in the case of Life Membership at Graduation (LMAG)) and are initially considered deferred revenue that is used to provide membership services to life members over their lifetimes. Transfers from the Life Membership Fund to the unrestricted operating funds of the AOG are charged to the Life Membership Fund, amortized on a prospective basis using the straight-line method over the actuarially determined life of the life members (currently determined to be 55 years after graduation of the Class), and are recognized as AOG income. Associate / Affiliate members are considered to have an actuarially determined remaining life of 55 years from the year for which dues were paid. Corporate life membership fees are added to the Life Membership Fund and are not amortized.

Investment earnings on the Life Membership Fund accrue to unrestricted – undesignated net assets and are used in the operations of the AOG.

Any transfers to or from the Life Membership Fund to the AOG's operation in excess of the amounts determined above require the approval of the BOD.

Chairman Storm asked the Chair of the Audit Committee, Director Van Wagenen, if he was comfortable with the recommendation and Director Van Wagenen affirmed that he was.

Director Stealey seconded the motion as presented by Director Fry, and the motion passed unanimously.

Distinguished Graduate Award Committee

Director Carleton briefed that at their December 7, 2009 meeting the committee had 9 nominees to choose from and the committee's choices for the 2009 Distinguished Graduate Award Winners were General John M. Loh, Class of 1960, and the Honorable Heather A. Wilson, Class of 1982, the youngest and first female to receive the award. Both accepted and will receive their awards at a formal presentation during the Founder's Day events (6-8 April 2010). The committee members participating were: Dean of Faculty General Born; Falcon Foundation President Randy Cubero; AOG Board Director Roger Carleton; AOG CEO T Thompson, AOG Senior VP Gary Howe, and AOG Alumni Relations Director of Programs Taylor. Information on the Distinguished Graduate Award Winners can be seen on the AOG's website. All non-selected nominees received thank you letters from the committee; they will stay on the books for another three years.

Director Carleton explained that the staff is looking into other ways how to honor the awardees besides the dedication of a pedestal. CEO Thompson mentioned that the curved walls on the Heritage Trail would be great for plaques.

Director Andrews added that the Board will discuss establishing the Heritage Committee later in the day and that they were working on a policy to cover what would happen if a DG committed a felony. A National Citizen Award should also be considered like West

Point's Sylvanus Thayer Award to an outstanding citizen of the United States. CEO Thompson pointed out that the Academy has the Thomas D. White Award.

VII. Joint Coordination Committee (JCC)

Director Munson explained that the AOG Board's representatives to the JCC are himself and CEO Thompson, with Director Carleton and Chairman Storm as backups. The Supt's representative at the JCC meetings is Vice Superintendent Colonel Paul Ackerman. The CEO will cover the activity of the AOG-Endowment enterprise more thoroughly in his report to the Board, however, Director Munson stated that since the Endowment moved to Doolittle Hall fundraising success has been outstanding. The MOU mandated Implementation Plan was approved by the JCC. However, the Endowment requested an electronic transfer of new donor data from the AOG run database to the Endowment's Raisers Edge database. As the MOU wording proscribes such a transfer the matter was referred to the JCC which considered a number of alternatives. The JCC noted that this data is only used for the Endowment's financial reporting purposes and concluded that, in the short term, the best way to proceed was to modify the MOU to allow this process. Both the AOG and Endowment would continue to consider consolidating their separate financial reports into a single license site if that would prove to be more efficient, but that as the Endowment was currently undergoing audit any such move was not practical right now.

MOTION: Director Munson moved to have the AOG-Endowment Memorandum of Understanding amended to add the following to page 4, Staff Integration/Consolidation, paragraph 2, to follow the third sentence, "No data from the AOG constituent database may be extracted or placed in any other database": "*except that data added to the database as a result of the Endowment's fundraising activities.*" This amendment would become a part of the MOU with the approval of the Endowment and with signatures from both Chairs.

The motion was seconded by Director Carleton and passed unanimously.

USAFA Endowment President, Dr. Rokke, explained that the Endowment called every Sabre Society member to show their appreciation for giving to unrestricted funds and hoping that they'll continue their Sabre Society involvement. The result was very positive. Pledges and donations for 2010 have already passed \$900,000 on the unrestricted side. With over \$14M raised for the Indoor Training Facility at this point, that project can now move forward.

Director Binn asked who was handling the construction of the Indoor Training Facility, and Dr. Rokke responded that a project manager will be tasked with that. Director Blaisdell asked who to make an unrestricted check out to now, and the answer was that it made no difference if the check was made out to the AOG or the Endowment, since it went in the same pot. CEO Thompson summarized that they were doing well operationally, and that it was a smooth transition.

Director Munson will draft the amendment to the MOU, have both Chairs sign, and attach the amendment to the MOU.

VIII. CEO Report

a. Quarterly Financial Update

The CEO presented the statements showing the AOG's financial position, and the CFO continued with an explanation of the financial statements together with a detailed management discussion and analysis (*attachment 3*).

b. Monitoring Reports

The CEO briefed the Board on the following monitoring reports: Executive Limitations; Treatment of Staff; Emergency Executive Succession; and Membership Dues and Fees (*attachments 4a, b, c*). The CFO mentioned that the AOG had received a reworked draft from Mountain States Employers Council (MSEC), and that he and Senior VP Howe were rewriting the Employee Handbook right now.

Director Storm recommended to accept the offer from the Mountain States Employers Council and let them review the handbook.

c. AOG Operations Update

The CEO gave a quick operations update:

1. The Endowment staff has moved into the AOG building;
2. CEO, Senior VP, and VP Alumni Relations are "operationalizing" the Implementation Plan;
3. There are plans to have friendraising events outside USAFA;
4. Project 2010 First Gift Program is well under way: The Class of 2010 adopted this program which is intended to get graduating classes to give back to the institution with a monthly contribution of \$20.10 after graduation;
5. The AOG is going out to graduates for friendraising.

d. South East Asia (SEA) Pavilion

Al Burrell, AOG Project Manager for the Class of 1970 project, briefed the Board on the SEA Pavilion, a very important part of heritage which will make a major statement for the Class of 1970. The design by Duane Boyle (contractor: GHPhipps) is a \$1M naming opportunity. Groundbreaking is expected to be in mid-March and the structure should be in place for their reunion this summer. Mr. Burrell presented the concept and design for the Board members to see and described many of the details that will be implemented. Dick Rauschkolb, representative for the Class of 1970, thanked all Board members for their role in making this project possible.

e. Reestablish Heritage Committee

MOTION: Director Andrews moved that the Board of Directors establish a Heritage Committee that would:

- develop new heritage policies for inclusion in the Policies and Procedures Manual;
- review proposals for new heritage programs and projects and provides a determination whether the proposals meet with current AOG policies;
- provide status reports on current heritage programs and projects to the Board upon request;
- advise USAFA on the USAFA-generated heritage programs and projects on behalf of the Board.

Director Binn seconded and the motion passed unanimously. The Heritage Committee will be entered as a standing (statutory) committee in the Bylaws.

f. Graduate War Memorial and AOG Memorial Wall

At the November Board meeting the directors discussed the delay incurred with waiting for Board approval to add a name to the Memorial Wall and they wondered if it could be done electronically if the addition is non-contentious (i.e., graduates killed in direct hostile action; graduates killed within an area of conflict as the result of an incident which is in direct support of the activities therein).

Director Andrews explained that the Board would delegate non-contentious additions to the staff, no discussion necessary, and the notification sent to the Directors. The Board members would have 10 days to object and, if there were no objections, it nomination would be approved. If approved, the AOG staff would inform the Academy and ensure that the name is added to the Memorial Wall. If there were any objections, the name would be considered at the next quarterly Board meeting with a full package for the directors.

MOTION: Director Andrews moved to adopt the proposal for Electronic Board Approval as presented and Director Stealey seconded. The motion passed unanimously.

Director Andrews added that the Class Senate and Class members will be informed as well.

IX. Senate Update

Class Senate President, Sexton, started his report with a summary of the Senate's January meeting, which included Dr. Rokke and Mark Hille from the USAFA Endowment. A background on the MOU was given to the Senate with participation by both AOG and the Endowment representatives. He will send the Senate minutes to Mr. Thompson and Dr. Rokke for their approval before putting them up on the AOG website. Director Stealey wanted to know how they were doing on representatives for the Senate and President Sexton responded that it was still not good for younger grads. He will write an article for Checkpoints on the topic of Class Senate.

X. Capital Campaign Final Report

Director Binn presented the committee's report, and provided a draft that provided the final outcome of the Capital Campaign. As far as 'lessons learned' he has found that those who participated in executing the Capital Campaign have varying views and that there is not consensus, nor do they particularly want to go back and rehash the lessons. Senior VP Howe recommended keeping a file of inputs.

MOTION: Director Stealey moved to publish Director Binn's draft in the minutes – with modifications to the Board before inclusion – and Director Carleton seconded. The motion passed with 8 to 2 (Directors Fry and Wheeler were opposed).

Director Binn will refine his draft and the Board will vote at the next meeting (as part of the minutes under Consent Agenda).

XI. Guest Speaker Lt. Gen. Michael C. Gould, '76, USAFA Superintendent

General Gould was welcomed and introduced by Chairman Storm. The Superintendent's first topic was that it is important to increase chapter outreach and he offered his full support and the support of his senior leadership. He also talked about the recent publicity

of the outdoor worship area that different earth-centered USAFA faith groups are using. General Gould explained that the U.S. Air Force remains neutral regarding religious beliefs and will not officially endorse nor disapprove any faith belief or absence of belief, and that this group falls within the definition of religion as defined in the U.S. Air Force Instruction 36-2706. He continued with the largest single gifted project in the history of the Academy: the Indoor Training Facility, and pointed out that this project is a great recruiting point. General Gould closed with saying that a vibrant AOG is critical to the Air Force Academy, and that there should only be one central fundraising mechanism.

XII. Fundraising Priorities

CEO Thompson explained that the fundraising priorities are in the Implementation Plan, they are the Indoor Training Facility and the Center for Character and Leadership Development.

MOTION: Director Andrews moved that the AOG Board of Directors expresses its support for the Endowment's focus on raising funds for unrestricted use, the Indoor Practice Facility, and the Center for Character Development.

The motion was seconded by Director Blaisdell and passed 8 to 4 (Directors Pat Rosenow, Mark Rosenow, Wheeler and Stealey voted against).

Director Stealey was interested in a discussion of what the Board's vision for 2010 and beyond was and setting some metrics to measure the Board's success. The Board needs to set priorities and state its goals and objectives. Chairman Storm noted that with CEO Thompson's strategic plan the Board will have objectives; however, this is a work in progress,

XIII. Guest Speaker Dr. Hans J. Mueh, '66, USAFA Athletic Director

Dr. Mueh was welcomed and introduced by Chairman Storm. The Air Force Academy's Athletic Director started his briefing with success stories in the Athletic Department, gave an update on their 501(c)(3), and described current facility upgrades regarding the Cadet Gym and Cadet Fitness Center. He continued his briefing with the Indoor Training Facility and offered a tour at the next Board meeting.

XIV. Unscheduled Business

November 2009 Minutes

Directors Wheeler pointed out that the November 2009 minutes did not contain all of his remarks. Board Secretary Munson reviewed the process for minutes, noting that that the minutes are only meant to be "substantively descriptive" of the meeting. Director Wheeler said that he and the Secretary are both in agreement that there is no time limit for amending minutes and he will consider offering a change in the future.

MOTION: Director Munson moved to approve the November minutes as presented. The motion was seconded by Director Stealey and passed unanimously.

Graduate Dependent Scholarship (GDS)

CEO Thompson asked if there was a set amount for the GDS this year such as 15 scholarships at \$1,000 each. The Board consensus was to let the staff decide.

MOTION: Director Wheeler moved that the CEO be allowed to award not more than \$20,000 annually to the GDS program. Director Munson seconded and the motion passed unanimously.

Future Board Meetings

Chairman Storm proposed to have a one-day Friday meeting from now on. Out-of-town directors can arrive on Thursday and depart on Saturday, with the Board dinner on Friday evening.

XV. Committee Reports – *continued* –

Nominating Committee

MOTION: Director Carleton moved to go into closed session to discuss the Board appointments and to discuss the contract of its CEO. The motion was seconded by Director Andrews and passed unanimously.

At the conclusion of closed session the Board returned to open session to conclude the nomination and approval process. Director Andrews moved, and Director Carleton seconded the following:

MOTION: The AOG Board of Directors appoints Steve Beasley '93 and Frank Schmuck '88 to serve terms as Directors until November 2013. The Board appoints Tom Lockie '79 to serve the remaining term of the recently vacated position of Director that ends July 2011.

XVI. Closing Comments from the Chair

Chairman Storm reminded the Board that the next Board meeting will be May 7, 2010.

XVII. Adjournment

The meeting adjourned at 1700 hrs (MDT).

Respectfully submitted,

Ruth Reichert, Recorder
Robert Munson, Secretary

Attachments:

Attachment 1: [Board Presentation Slides](#)
Attachment 2a: [Finance and Investment Committee Report](#)
Attachment 2b: [Investment Subcommittee Fiscal Year Update](#)
Attachment 3: [Financial Reports December 2009, Mgmt. Discussion & Analysis](#)
Attachment 4a: [Monitoring Report 2.2](#)
Attachment 4b: [Monitoring Report 2.7](#)
Attachment 4c: [Monitoring Report 2.11](#)