

ASSOCIATION OF GRADUATES
UNITED STATES AIR FORCE ACADEMY



BOARD OF DIRECTORS MEETING
12 August 2011
Approved Meeting Minutes

Board Members Present: Terry Storm, '61, Chair; Brian Binn, '72, Vice Chair; Bob Munson, '73, Secretary; Howard Jack Fry, '67, Treasurer; Vic Andrews, '66; Rip Blaisdell, '62; Roger Carleton, '67; Frank Schmuck, '88; Orville Wright, '73; Kathleen Rock, '98; Bebe O'Neil, '83; ex officio Dick Sexton, '60, President, Class Advisory Senate.

Board Members Participating By Phone: Steve Beasley, '93.

Board Members Absent: Mark Rosenow, '03 (on duty that day).

AOG Staff Present: William 'T' Thompson, '73, President & CEO; Alton Parrish, CFO; Marty Marcolongo, '88, Senior VP for Business Development; Bob McAllister, Senior VP for Communications; Corrie Grubbs, Managing Director of Alumni Affairs; Jack Mueller, '70, Director of Information Systems; Ruth Reichert, Executive Assistant.

Members and Invited Guests Present: Gen. Steve Lorenz, '73, President & CEO of the USAFA Endowment; Dr. Adis Vila, USAFA Chief Diversity Officer; Jeff Reynolds, USAFA Basketball Head Coach.

- 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, 12 August 2011.
- 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, Director Schmuck led the Board in reciting the Pledge of Allegiance.
- III. Introduction of Board Members to New Directors**
The Board Chair asked each member of the Board and AOG staff in attendance to give a brief introduction for the new directors.
- IV. Election of Chair for 2011-2013**
Vice Chair Binn asked the Board to select a Chair.
MOTION: Nominating Committee Chair Andrews moved to nominate the current Chair for the next two years, Director Blaisdell seconded, and the motion passed unanimously.

Chairman Storm expressed his thanks to the Board and is pleased to continue to represent the AOG with the CEO and to serve as Chair.

V. Selection of Board Officers

MOTION: Director Andrews moved to approve Director Binn as Vice Chair; Director Munson as Secretary, and Director Fry as Treasurer. Director Carleton seconded, and the motion passed unanimously.

VI. Selection of Appointed Director

MOTION: Director Andrews moved to nominate Bebe O'Neil, who got the greatest number of votes in the election after the cutoff, as an appointed director for a 4-year term. Director Beasley seconded, and the motion passed unanimously.

VII. Committee Assignments

MOTION: Director Schmuck moved to approve the committee assignments as detailed at Atch 1; the motion was seconded by Director Carleton and passed unanimously. The Chair and Board discussed filling opened and opening positions on the Committees. Director Blaisdell mentioned that the Senate is a good source for advisors, and Senate President Sexton will address the Senate on the subject. Director Munson will send a reminder to the committee chairs to populate their committees ASAP so that they can be formally approved at the next Board meeting.

VIII. Approval of Consent Agenda

The Chair asked if there were any objections to the provisional minutes of the Board meeting on May 6, 2011. Director Blaisdell moved, seconded by Director Munson, to approve the consent agenda as presented. The motion passed unanimously.

IX. Approve Agenda

The Chair offered the agenda to the Board for suggested changes; the Board accepted the agenda as written and confirmed going into executive session before lunch.

X. Strategic Issues

A. Board Meeting Schedule

Board Chair Storm would like to get both the AOG and the Endowment Board meetings aligned for at least one get together per year; hopefully a first one can be worked next fall (2012). CEO Thompson invited all Directors to come to the USAFA Founders Day event in April, as an opportunity for the AOG and Endowment Directors to have a social prior to the Founders Day dinner. Director Munson raised the possibility to have a Board meeting outside of Colorado Springs. There was considerable discussion and ideas generated for both having a Board meeting outside of Colorado Springs as well as having board members meet with members in chapters or other events. In the considerable discussion there was consensus: the Board supported the notion of developing ways to develop more face-to-face contact with the membership. However, there was also acknowledgement that a Board meeting in another city could well entail additional expense. The Chair was open to having some sort of meeting outside Colorado Springs

and asked Directors Wright and Rock to talk to the DC Air Force Academy Society and asked the CEO to look into the possibility of having directors meet with chapters.

B. Board Appointment Discussion

Director Munson asked the Board to consider Gen Chilton as a candidate for the open appointed position as he would bring considerable knowledge and talent to this Board. As there were no reservations, Chairman Storm asked the new nominating committee Chair, Director Beasley, to have his committee take the matter under consideration.

XI. AOG/USAFA Endowment Joint Coordinating Committee Update

Chairman Carleton reported that the Memorandum of Understanding (MOU) and the Operational Support Agreement (OSA) with the Endowment were due to expire at the end of this year. The Joint Coordinating Committee (JCC) met on 18 Feb; the AOG raised the issues of allocation of funds to be decided by the JCC, proposals for better integrating the two organizations, and the issue of class gifts. The Endowment agreed to consider developing a Joint Finance Committee. The next meeting was on 27 July at which time the AOG provided a draft MOU and OSA for the Endowment to consider, including an update to the methodology of splitting the annual funds raised in response to the Endowment asking for more consideration based on its costs associated with raising those funds. The next meeting will take place 16 Aug to further discuss the AOG's proposals for the follow-on MOU and OSA.

XII. Committee Updates

A. Governance Committee

Committee Chair Brian Binn reviewed that the committee had been focused on the Bylaws and now needed to look at the Board's Strategic Plan. To the CEO's comment that under Carver's model of governance the 'Ends' are the Board's plan for the future, Brian responded that a Board plan was needed to define the responsibilities of each committee and to lay out their timeline for accomplishing their goals.

B. Nominating Committee

The Chairman reviewed the history of the Nominating Committee's responsibilities in the past years and asked the Board to discuss whether the Nominating Committee was to simply recruit candidates for Board positions or whether it should also review each candidate's qualifications and then make recommendations for the membership to consider. Former Committee Chair Vic Andrews said he felt the committee had abrogated its responsibility by not recommending the best candidates, rather the committee simply confirming that they completed the requirements to run for director. Director Sexton agreed and said the committee should be screening for the best candidates. To Director Carleton's caution that the process could be perceived as the nominating committee seeking to bias a vote away from any group, Director Andrews noted that the committee makes its recommendation to the Board; the Board endorses the candidates. Director Blaisdell pointed out that the Bylaws don't provide for a process to endorse candidates. Director Fry pointed out that the role of the committee should be to look for the best candidates with the qualifications that the Board needs and felt that an

endorsement process would take the Board back to the days when it screened out candidates. CEO Thompson said that out of every board he's been on, this was the only one that did not recommend candidates. Last year the membership had to choose between 23 candidates without any sense of what the Board needed in terms of qualifications. He pointed out that in the past members were prevented from candidacy, but now anyone can run whether supported by the Board or not. Directors Schmuck and Sexton thought that the nominating committee should avoid recommending or endorsing, and instead stick to nominating candidates as per the Bylaws wording. Chairman Storm concluded by announcing that this would be an agenda item for the next meeting for a decision.

C. Audit Committee

New Chair Rip Blaisdell reported that the last auditors, Biggs Kofford, will return for the next audit.

D. Finance & Investment Committee

Treasurer Jack Fry distributed the Current manager Summary with roll-up of investments; over the last fiscal year the investment portfolio grew to \$29M and with cash totaled almost \$31M. The investments grew 19% over the last year while our benchmark standard was up 16%. The distribution of investments remained within the guidelines for diversification and liquidity. He pointed out that the AOG strategic reserve was put into Vanguard Short Term Investment fund and totaled over \$759k.

Director Fry showed the Board the AOG breakout of programs, with their costs, and how they tied to each of the Boards' Ends. This shows how the AOG staff is working toward achieving those Ends, and a financial breakout of how they allocated resources over the last year.

Motion: The Treasurer moved, and Director Carlton seconded, that the Board accept Michael Torreano '70 as a non-director member of the Finance and Investment Committee. The motion was approved unanimously.

E. Heritage & Traditions Committee

No report.

F. Distinguished Graduate Award Committee

Director Roger Carlton reported to the new Board members that Max James '64 and Gen Ed Eberhart '68 had been named as distinguished graduates in April; he asked that all Board members assist in proposing nominees in the future. The committee has agreed to three new initiatives: it has further clarified the criteria for the award, committee member Gen Born has agreed to carve out time to allow the cadet wing to hear the DGs, and the committee has developed the concept of the "50th Class Reunion Award" which will allow each class to recognize one of their classmates for lifetime achievement. The award will be jointly sponsored by each class and the AOG.

XIII. Class Advisory Senate Update

Senate President Sexton first briefed the Board on the development of the new CAS procedures, which has to be approved by the Board.

MOTION: Director Binn moved, and Director Schmuck seconded, that the Board approved the Class Advisory Senate procedures as amended (Atch 3). The motion was passed unanimously.

Dick Sexton then reviewed the set of recommendations, "Moving Forward, 2011-2013", approved by the CAS and forwarded to the Board for its consideration. He noted that the Senators and membership don't always understand whether any given recommendation falls under the responsibility of the Board or the AOG staff; however all the recommendations have a policy implication and thus all are forwarded to the Board for review. Dick noted that there were three main themes: the AOG and Board should be closely tied together, the AOG should continue to focus on graduate services, and improved communication of what is being done. Director Blaisdell noted that many recommendations dealt with strategic planning with the Endowment which the Endowment turned down by not accepting the AOG recommendation for joint planning.

MOTION: The Board acknowledges receipt of the Senate's paper "Moving Forward, 2011-2013". The Board will seriously consider the recommendations of the Senate. The Board will refer the recommendations to the Governance Committee. The motion was offered by Director Blaisdell, seconded by Director Fry and passed without dissenting vote.

XIV. CEO Annual Review

The Board went into executive session to consider the performance of the AOG CEO for the previous year.

XV. Guest Speaker: Jeff Reynolds, Air Force Basketball Head Coach

Mr. Jeff Reynolds provided the Board with an engaging look at the possibilities and potential for Air Force Basketball this coming year, the challenges faced by the program, and the optimism of the players for the season. He also spoke of the success of graduates who played basketball for Air Force; and referred to those who made general officer, succeeded in the business world, or remained engaged with basketball.

XVI. Endowment Report: CEO Gen Steve Lorenz '73

Gen Lorenz reported that he's learned a lot in the last three months that he's been on the job. He takes no credit that the Endowment has raised \$6.5M in that time; much of it is due to the work of others, especially to 90 year old Mr Sandy McDonnell of McDonnell-Douglas who has arranged a donation of most of that to the Center for Character and Leadership. Gen Lorenz' current task is to raise \$12M to supplement the shortfall in military construction money for the new Center for Character and Leadership Development, which has to be raised by July 2012. He speaks to CEO Thompson daily, they will be doing a joint article for the next Checkpoints, and they will together be chatting with the AF lawyers to explore any legal restrictions for cadets setting up class fundraising as they approach graduation. Gen Lorenz said he's very aware of the need

for all individuals and organizations to be recognized for what they do for the Academy; and he will work hard for the AOG to get 'credit where credit is due.'

XVII. Guest Speaker: Dr. Adis Vila, USAFA Chief Diversity Officer

Dr Vila opened by stating that she's had a lot of support for her role as diversity officer for the Academy since her arrival, but none has been more sincere or consistent as the AOG's CEO; and that the AOG can be a 'wonderful supporter' in this area. Much of her work now is transitioning the Air Force's diversity AFI into the Academy's strategic plan. She pointed out that the notion of diversity goes beyond 'structural' differences but extends into diversity of thought. Every one's individual contributions at the Academy can be maximized when all can integrate this diverse type of thinking into everything that they do. Dr. Avila provided a review of her initiatives to remove the barriers to 'inclusiveness' amongst the many groups at the Academy.

XVIII. CEO Report

A. Quarterly Financial Update

CFO Alton Parrish presented the quarterly financial update as of June 30, 2011 (Atch 5), including Statement of Activities using both GAAP and cash basis. In brief the AOG's position was about \$37.5M which is 11.5% improvement from the year before. The current AOG reserve is still reported as \$333k, but will be changed as the Board approved the increase in that allocation; currently the amount allocated is a bit over \$759k. The operating deficit was just under \$472k which was down from the budgeted shortfall of about \$1M, so the AOG was ahead of budget by about \$600k. The schedule of investments showed that 16.76% of investments were in alternatives vs. the target of 10%, but he explained that moving toward that target percent will take some time because they are long term investments with holding restrictions. The CFO pointed out that on the Schedule of Capital Additions that the Building and Grounds addition of the SEA Pavilion came onto the books, accounting for almost a million dollars.

B. CEO Monitoring Report: Policy 2.4, 2.5, 2.6

The CEO briefed the Board that the AOG was in compliance with the Board's policies.

C. AOG Operations Update

1. Bob McAllister, Senior VP for Communications briefed the Board on the AOG's new website, its capabilities, and growth possibilities.
2. Marty Marcolongo, Senior VP for Business Development, briefed the AOG's access capability to the base for graduate members who do not have ID cards. Some directors felt that the AOG should offer this capability to all graduates, but CEO Thompson noted that administering this capability costs the AOG; since the AOG likely won't be able to charge for this he wondered if this expense was appropriate. The sense of the Board was if the AOG could not charge, then it should restrict this benefit to members.
3. CEO Thompson briefed the graduate display concept which will highlight graduate accomplishments, which will be displayed in the Falcon center in the Fairchild Hall Lectinar class area to inspire cadets. This concept is still in

negotiation with the dean, and the AOG hopes to expand the concept for other areas such as Harmon Hall.

4. The 40 and 50 Year Legacy Programs will be merged into one. There will a transition period as currently there are four 40 year classes sponsoring classes at the Academy. The AOG will not change until 2016, and then the 50th year classes will take over sponsorship.

XIX. Unscheduled Business

The Chair asked Director Munson to bring to the Board's attention the role of the CAS president on the Board of Directors. Director Munson reviewed the new Bylaws that provide that the CAS president is "an ex-officio member of the Board, without vote." By that wording the CAS president has the rights and privileges of the other directors, such as presenting motions and participating in debate, except he cannot vote.

Director Munson also asked the Board to consider, for a future meeting, whether it wished to consider compensating directors for travel to Colorado Springs for BOD meetings. The Chairman provided some history on previous boards raising the issue; Director Sexton noted that the CAS had recommended compensation if the AOG could afford it. Chairman Storm asked that the Treasurer, CEO, and CFO look into the implications and make a proposal to the Board.

XX. Adjournment

The Chair thanked the Board directors, AOG staff, and Senate President for their efforts. He reminded the Board that the next Board meeting will be on December 2, 2011.

Respectfully submitted,

Ruth Reichert, Recorder
Robert Munson, Secretary

Atch 1: [Committees of the Board, 2011-2013](#)

Atch 2: [Minutes of the Board of Directors meeting, 6 May 2011](#)

Atch 3: [Class Advisory Senate Procedures](#)

Atch 4: [CAS Recommendations "Moving Forward, 2011-2013"](#)

Atch 5: AOG Financial Statements