

ASSOCIATION OF GRADUATES

UNITED STATES AIR FORCE ACADEMY



BOARD OF DIRECTORS MEETING

7 December 2012

Meeting Minutes

Board Members Present: Terry Storm, '61, Chair; Roger Carleton, '67, Vice Chair; Bob Munson, '73, Secretary; Howard Jack Fry, '67, Treasurer; Kevin Chilton, '76; Vic Andrews, '66; Rip Blaisdell, '62; Bruce Wright, '73; Bebe O'Neil, '83; Frank Schmuck, '88; Mark Rosenow, '03; Dick Sexton, '60, President, Class Advisory Senate.

Board Members Attending via Teleconference: Kathleen Rock, '98; Steve Beasley, '93

AOG Staff Present: William 'T' Thompson, '73, President & CEO; Gary Howe, '69, Exec. VP; Alton Parrish, CFO; Marty Marcolongo, '88, Senior VP for Business Development; Bob McAllister, Senior VP for Communications; Jack Mueller, '70, Director of Information Systems; Corrie Grubbs, Vice President, Alumni Affairs, Hadassa Muñoz, Executive Assistant,

Members and Invited Guests Present: Gen (Ret) Steve Lorenz, '73, President & CEO USAFA Endowment; Ron Yates, '60; Andi Biancur, '60; Richard Raushkolb, '70; Larry Casada, '71; Jon Torblaa, '71; Richard O'Keefe, '60; Jim Nance, '71; Brian Binn, '72 Chief, Development and Alumni Affairs

I. Call to Order

The Chairman called the meeting to order at 0900 hours MDT, Friday, 7 December 2012.

II. Moment of Silence & Pledge of Allegiance

III. Notified Absences & Introductions

The Board Chairman welcomed each member of the Board and notified the Board that Directors Steve Beasley, '93 and Kathleen Rock, '98 would be joining via teleconference and Director Kevin Chilton, '76 would be joining later due to a commitment at Peterson AFB.

Chairman Storm informed the Board that Vice Chairman Binn had resigned as he was now the Academy's Chief of Development and Alumni Programs, and that Director Carleton had agreed to accept the nomination to replace him as Vice Chairman.

MOTION: At the request of the Chairman, Director Blaisdell moved, and Director Munson seconded, to confirm Director Carleton as Vice Chairman of the BOD. The motion passed unanimously.

IV. Approval of Consent Agenda

There were no objections to the minutes of the Board meeting for 3 August 2012 and of the Special Board meeting 20 November 2012. (Atch 1 & Atch 2).

V. Approve Agenda

The Chairman offered the agenda to the Board for suggested changes; the Board accepted the agenda as written.

VI. Committee Updates

A. Governance Committee

Director Carleton offered the eight changes to the Policy Manual and one change to the FMIP that were drafted by Secretary Munson. These motions were prompted by Director Binn's review of the Bylaws and Board policies at the last meeting. Per the motion-to-vote policy, the Board members were given three weeks to review these motions. The Board agreed to consider them all at once as there were no contentious changes.

MOTION: Director Carleton moved, and Director Fry seconded, to make the following changes to Board Policy:

Change the BOD Governance Policy Manual, Policy 1.0, MISSION, to read as follows:

MISSION: To pursue our vision and to serve and support the United States of America, the United States Air Force, the United States Air Force Academy, and the graduate community by:

- a. Working in partnership with the Academy to produce and foster graduates with an enduring commitment to integrity, excellence, and service to country.
- b. Providing leadership, communication, and support to all Academy graduates and friends of the Academy, and promoting camaraderie among them.
- c. Promoting the heritage of the Academy, our common traditions, and the accomplishments of our graduates.

Change the BOD Governance Policy Manual, Policy 4.7.1, second paragraph to read as follows:

In accordance with AOG Bylaws Art V, Sec 11c, by an affirmative vote of the Board, Directors and officers of the Board may be deemed to have resigned for failure to attend two consecutive Board meetings, or to meet stated obligations of Directors as provided in the Bylaws or as directed by the Board of Directors.

Change the BOD Governance Policy Manual, Policy 4.9. under Policy Narrative as follows:

Change "Statutory Committees" to read "Bylaws-Directed Standing Committees" and "Non-Statutory Committees" to "Other Standing Committees"

Change the BOD Governance Policy Manual, Policy 4.9.3.A to read as follows:

- A. Composition:

- 1) The Committee Chairperson, the AOG Board Treasurer, is appointed by the AOG Chairman of the Board with approval by the Board of Directors.
- 2) The members shall be AOG members, including at least one additional Board Director, who are experienced in financial or business management matters. If the Treasurer is not a Director, there will be at least two Board Directors on the Committee.

Change the FMIP, para 1.5 to read as follows:

“. . . the FMIP and investments. The Committee will be chaired by a Director with at least three members of the Committee being BOD Directors. The AOG Treasurer will be a member of the Committee and will serve as Chair unless the Treasurer is not also a Director on the BOD. The Committee will meet as determined by its Chairman.”

Change the BOD Governance Policy Manual, Policy 4.9.4 Audit Committee to read as follows:

A. Composition

- 1) The Chairperson is appointed by the AOG Chairman of the Board, from among the Directors, with approval by the Board of Directors.
- 2) The members shall be AOG members, and will include an additional Director. Members of the Audit Committee shall have financial experience and at least one member shall be a certified public accountant if possible.

Change the BOD Governance Policy Manual, Policy 4.9.1 Governance Committee to read as follows:

A. Composition

- 1) The Chairperson is the Vice Chairman of the Board of Directors.
- 2) The members shall be AOG members and will include at least two additional Directors.

Change the BOD Governance Policy Manual, Policy 4.9.1.B.7 to read as follows:

- 7) At least biennially, during even-numbered years, review and recommend appropriate revisions to the Bylaws.

Change the BOD Governance Policy Manual, Policy 4.9 Policy Narrative as follows:

Replace the last two sentences with the following: “The Board Chair shall nominate the Chair and Director members of the Committees for approval by the Board. The Committee Chair shall nominate additional members for the committee for approval by the Board. The Chair and CEO shall be considered members of all committees and task forces but shall not count against AOG Director or member requirements nor have voting privileges unless the Board approves their committee membership.”

The motion to approve these changes passed unanimously.

B. Nominating Committee

Committee Chair Beasley informed the Board that the nominees for election approved by the Board had been notified and their names will be presented to the membership in the next issue of Checkpoints and on the AOG website.

C. Audit Committee

Committee Chair Blaisdell reported that the committee reviewed and approved the audit report for presentation to the Board; he introduced Greg Papineau from Biggs Kofford & Co., which has been doing the AOG audit for six years. Mr. Papineau reviewed the audit (Tab 6) for the Board and ended by summarizing that the firm had issued an “unqualified report”, which is the highest level of assurance they can give an audit as CPAs.

D. Finance & Investment Committee

Director Fry informed the Board that the Friends of the Library wants to transfer their agency account from the AOG to the USAFA Endowment as that organization will be doing fundraising for them. There are some issues with the value of the account at present as some of the monies are invested in funds which cannot be liquidated in short order, but the Treasurer is working out an acceptable solution. He also announced that the Committee will be reviewing the FMIP with an eye on Bylaw compliance, as well as looking at the current description of endowment payouts, distribution policy for agency funds, and wording of how our reserve account will be managed.

E. Distinguished Graduate Committee

Committee Chairman Carleton explained the process for selecting the annual distinguished graduates. There are three criteria: lifetime service to the nation, favorably promoting the Air Force Academy, and promoting graduate heritage. Twenty graduates were nominated; each committee member scores them separately. Two individuals were selected, and their names were forwarded to the Superintendent for background checks and then approval. Their names will be released shortly and they will be honored at Founders Day, April 5, 2013.

F. Heritage & Traditions Committee

1. Amendment to Heritage Trail Policy

Committee Chairman Vic Andrews summarized the October meeting of the Heritage Committee at which the Class of '71 presented their concept for the Air Warrior Combat Memorial (AWCM). The central part of that memorial was to be a statue of BGen Robin Olds. The committee was not amenable to the '71 concept, in large part because the Heritage Trail policy restricted that area to honoring graduates. The Committee offered recommendations for modifying the memorial if the class wanted their AWCM placed along the Heritage Trail. The Class of '71 president, Frank Morgan, requested that he be allowed to speak to the BOD on their AWCM concept with the possibility of changing the Heritage Trail policy or providing an exception to that policy.

Jim Nance, '71, on behalf of Frank Morgan, '71, presented his Class' rationale for changing the Heritage Trail policy (full text at Atch 7). In summary, the class pointed out that General Olds' statue served “as a proxy” for the ACWM concept. However,

the class felt that the BOD policy on the Heritage Trail was not, and should not be, so strictly worded as to prevent approval of their memorial. The design, taken as a whole, appropriately honored specific graduates as well as the desired themes written into the Heritage Trail policy language. The Class pointed out that their survey of graduates indicated broad support for their memorial concept and for changing the Heritage Trail policy. Their remarks concluded with “the AWCM is not a memorial to Robin Olds. It is a tribute to all grads, past present and future, who have contributed in some way to the air combat mission.”

Director Andrews remarked that the Heritage Trail Policy was rewritten a year ago, was clear to the Board at the time of approval, and remains clear now. In his opinion, the AWCM is in reality a memorial to General Olds regardless of disclaimers; indeed, many of the supporters refer to the memorial as ‘the statue of General Olds’. The Committee was not against the AWCM and felt that the concept is good, but that it should go into some other place on the Academy grounds. Further, as over 50 classes have graduated and served the nation in multiple conflicts, ‘proxies’ are no longer required for the Academy. Director Fry asked if the Class had looked at other places; Jim Nance, ‘71 replied that the Class only considered the Heritage Trail as they felt it was a great place and ‘the process is fairly straightforward with the Heritage Trail as we are the owners of it” and the process of approval on Academy grounds required approval up to the Pentagon. Chairman Storm remarked that he didn’t believe that Pentagon approval was necessarily required for a statue on Academy grounds, citing the instance of a ’59 approval of a statue to General Harmon. Brian Binn ’72, noting that his office is charged with conducting the memorial approval process, remarked that the USAFA process for approval did not necessarily require approval beyond the Superintendent. Chairman Storm quoted from a 2006 letter from the Class of 1960 President, whose class contributed money to build the Heritage Trail, and noted that it said that the Heritage Trail area was to honor graduates only. To Director Munson’s question on the impact of providing an exception to policy in this case, beyond setting precedence, General Yates, ’60 emphasized that as the area was specifically set aside as the only place restricted to honoring graduates that an exception would turn the intent ‘upside down’ and ‘change the character of the Heritage Trail’.

Director Munson, addressing a ’71 concern that General Olds’ personal history may work against approval, reported that the Academy has already rendered a decision on his status when it approved General Olds as the Exemplar for the class of 2011. But if the Class of ’71 wanted to honor the ethos of the ‘Air Warrior’ there are more visible high traffic locations than the Heritage Trail; the trail is not frequented by cadets or many other visitors. Director Munson went on to point out that, when he asked the question of graduates who supported the AWCM, over half agreed to a better alternative location. Director Schmuck followed by urging graduates to work together to appropriately memorialize the man regarded as a legend. He gave an example that General Olds is a two-time all American football player, and that if his statue were placed at the stadium it would be seen by thousands. Director Carleton agreed that this memorial as designed would be appropriate next to ‘the fields of friendly strife’, and that if ’71 wanted to memorialize General Olds, the Board should support it through the approval process. Brian Binn, ’72 said that there are examples of statues like this

having been approved and even if a statue of a person like General Olds is not consistent with the Operating Instructions for an area like the stadium, then a waiver would certainly be considered.

Director Wright noted that while he understood the thinking on the Heritage Trail policy, he wondered if there isn't a gap between that policy and the AOG Bylaws mission to support the Air Force that wouldn't allow consideration for change to policy. Director Munson asked '71 to comment on the question 'how do we honor the pledges made to the classes who donated to build the Heritage Trail with the understanding that it would be used to memorialize only graduates?' Class of '71 president Frank Morgan answered that the Heritage Trail is underutilized for heritage purposes and that the AWCM would draw more heritage projects and more visitors to the trail which really served the purpose of honoring heritage. He said that while the class was focused on the Heritage Trail, they would look forward no matter what the decision is. Recalling discussion when he was a Director, Brian Binn '72 said that it was not the intent to rapidly populate the trail. Andi Biancur, the '60 Class President, agreed, saying that the Class of 1960's intent was to have an area available for the next century for memorials.

The Directors then considered how best to respond to '71's request and decided to consider two separate motions.

MOTION: Director Sexton moved, and Director Fry seconded, that the AOG Board grant an exception to the Heritage Trail policy in the case of the proposal brought to this Board meeting by the USAFA Class of 1971. The motion failed, 4-6 with one abstention, and so an exception to Heritage Trail policy was not approved.

MOTION: Director Schmuck moved, and Director Munson seconded, that the Board approve the following:

“We, the USAFA AOG Board of Directors, wholeheartedly support the Class of '71 concept as an excellent way to inspire the Air Warrior credo, particularly within the Cadet Wing. We strongly believe the statue should be located in a very visible, high traffic area where it can be seen by thousands every year. We commit ourselves, and our AOG, to support the Class of '71 in moving this project forward by offering our resources to work with the USAF Academy and the United States Air Force.”
The motion passed unanimously.

Director Andrews agreed to draft an announcement to the Class of '71 announcing and explaining the decision.

2. Proposal to Rename Memorial Pavilion

Director Andrews asked the Board to consider the committee proposal to rename the Memorial Pavilion the “Legasey Memorial Pavilion” and introduced General Yates, '60 to provide the committee's recommendation. General Yates noted that the pavilion was the lead AOG project for the AOG capital campaign. Ted Legasey '67, who was the AOG Chairman of the Board at the time, provided the lead gift of \$2.0M which ultimately made the pavilion possible. He initially declined that the pavilion be named

after him as there was no tradition for naming buildings after living graduates. However, now that the Academy is approving naming buildings after living individuals, notably the Holaday Athletic Center, Ted Legasey is now amenable to this honor. It was noted that the Superintendent, after consideration by the Academy Memorial and Gifts Board, would have to approve the proposal; HQ USAF then would have to give final approval.

MOTION: Director Andrews moved, and Director Carleton seconded, that the AOG Board, in conjunction with the USAFA Endowment, send a letter to the Superintendent recommending that the Memorial Pavilion at the cemetery be renamed the "Legasey Memorial Pavilion" in honor of Ted and Tricia Legasey. The motion passed unanimously.

3. POW Plaque Concept Discussion

Director Andrews next asked the Board to approve the concept of the POW plaque with the SEA Pavilion as presented in the past to the Board; this approval would confirm previous Board support for the concept (Atch 8). Director Wright asked that the artist consider revising the rendition somewhat as the POW was rendered in a defeated pose, while the truth was that the SEA POWs overcame torture, served with distinction during their captivity and provided great examples to us all. A number of the Directors agreed with this opinion. EVP Howe noted that this rendering will be sent to the POWs for their input.

MOTION: Director Andrews moved, and Director Chilton seconded, that the Board approve the concept for a plaque honoring the POWs in the SEA Pavilion. The motion passed unanimously.

VII. Senate Update

Director Sexton reviewed the contents of the last Class Advisory Senate meeting: Brigadier General Lengyel briefed the CAS to good review. Both the Endowment and the AOG CEOs provided updates on their accomplishments, and Director Carleton provided a Board update. John Borling, '63 presented an update on the Class Histories projected. The CAS has started work on 'Moving Forward 2013', and it will be presented to the Board at its May meeting. Director Munson suggested that the CAS review the Ends policies to make recommendations to the Board prior to initiating its review at the next meeting.

VIII. Endowment Update

General Lorenz reviewed the fund raising results to date. The overall goal was \$9M for the year and currently they have raised \$12.6M. The Annual Fund results are at \$2.6M, and they hope to make it \$2.8M by the end of the year. He said that the Long Blue Line (LBL) endowment goal of \$150K had not been reached and asked for Board support.

Director Chilton asked about the long term plans for the LBL; General Lorenz said that in the short to mid-term timeframe donors were not available and his staff was limited, so his next year's goal would likely be \$175K; the long term higher numbers would come from bequests. Director Blaisdell noted that there seemed to be two LBL funds and that

without a ‘contract’ he couldn’t ask his classmates to donate. Treasurer Fry explained that there was only one LBL, which belongs to the AOG, but that it is invested in two different places.

General Lorenz added that the ‘contract’ (agency agreement) wording would be agreed to at the Dec 17 JCC meeting. He went on to point out that the AOG is now benefitting from a generous \$50K donation targeted at increasing membership by subsidizing Life Memberships; the great thing is that more members increase the donor pool, and his goal is to get graduates to start donating regardless of how much they give. To that end General Lorenz thanked CEO “T” Thompson, ‘73 for giving out 1600 cases of free beer; he was able to stand in the lobby and tap graduates to give as they came in to pick up their case.

The latter part of Q&A dealt with the status of the CCLD building program and further funding goals for that program.

IX. Staff Report

A. Quarterly Financial Update

Senior Vice President for Finance and CFO Alton Parrish presented the quarterly financial statements showing the AOG’s financial position and continued with a page-by-page explanation of the financial statements, using both Generally Accepted Accounting Principles (GAAP) and cash statements; together with a detailed management discussion and analysis of all significant line items (Atch 5). The Board had no issues with the content of his report. To questions, CFO Parrish noted that the AOG still waits for the courts to work through the legal issues of the Madoff monies and that we don’t have any idea how much the AOG will eventually get returned from its losses. Treasurer Fry pointed out that hedge fund investments stand close to 20% and that it will take time to work down to the target of 10% as those funds are so illiquid.

B. CEO Monitoring Report: Policies 2.8, 2.10

The CEO briefed the Board on the following quarterly monitoring items: Compensation and Benefits, and Programs/Events/Services (Atch 3 & 4). He summarized the reports as saying he remained within the Executive Limitations set by the Board in its Policy Manual.

C. AOG Operations Update

1. Alumni Affairs

Vice President for Alumni Affairs Corrie Grubbs updated the Board on the success of the latest Life Membership Campaign which, taking advantage of a donation which would pay for half the cost, targeted graduates from the 1980s. To date this has brought in a total of 138 new lifetime members. The AOG is currently offering 25% off cadet and parent memberships for the Christmas season.

On chapter growth, the AOG has reached its goal of 75, with the last 2 being Indianapolis and Grand Forks ND. The chapters have been active: New England had

a Fall dinner with appointees and their parents invited, and the Superintendent attended as well; 15 chapters had Army ‘watch parties’.

The AOG itself has held events like Michigan and San Diego tailgates and the Colorado Springs watch parties, and distributed cases of free donated Guinness beer, which in turn resulted in \$11,000 in store sales.

2. Communications

Senior Vice President for Communications, Bob McAllister, briefed the Board regarding his team having received 10 awards from The Council for Advancement and Support of Education (CASE) for their outstanding communications quality in Checkpoints, social media, and the website. The team will be updating all the AOG servers into a few megaservers supporting the AOG operations in order to upgrade functionality, speed, and reliability. The team has been improving the ‘online store’ operation to integrate it more into the other communication vehicles; the result was record online sales over Black Friday (\$25,000).

The AOG also offered its expertise to the Academy to create a master calendar which would cover all Academy-related events taking place, regardless of location. The Academy senior staff was ‘ecstatic’, and the calendar is being migrated across the different units so they can update the calendar with their events.

Bob McAllister reviewed a number of AOG initiatives involving information push to members, social media, AOG elections, Falcon Foundation website, etc. that supported both the AOG and Academy directly or indirectly.

3. Business Development

Senior Vice President for Business Development, Marty Marcolongo, ’88, updated the Board on business growth. Initiatives included both new programs as well as tweaking established programs to increase revenues. Examples include USAA affinity program, Web Guy growth, merchandise expansion, national ads marketing, etc. The results are growth in all four revenue areas. Using the FY 2009 income of \$1.4M as a baseline, aggregate income is estimated to exceed \$2.2M at the end of this fiscal year.

X. Report on Joint Finance Committee

Director Carleton reported that the JFC had yet to meet but that it continues to try to do so. Director Fry pointed out that the JFC is supposed to have a process in place for both organizations to look at revenues and requirements in less than a month. He estimates that if the JFC were to start meeting, it would still take until June to come up with a process per the MOU. CFO Parrish offered that our JFC representatives could draft a proposal for a charter for the Committee for how it will operate, which then would meet the MOU timeline requirement. Director Chilton pointed out that it would still take until June to fulfill the MOU requirements because the JFC would still have to work out the process for determining “budget requirements of both the AOG and the Endowment and recommend[ing] to both Boards the most efficient and effective use of annual fund gifts

beginning in 2014.” Director Wright expressed concern that when the JFC does meet it will not have the resources to do its job properly.

XI. Other Board Actions

The Chair directed that the Board go into executive session i.a.w. the Bylaws. The Board addressed three motions in that session.

MOTION: Director Chilton moved, and Director Sexton seconded, that the Board create a Joint Enterprise Exploratory Task Force, consisting of Chairman Storm and Vice Chairman Carleton, charged with initiating informal discussions with their counterparts in the USAFA Endowment to consider ways and means to more closely cooperate. The Task Force will report back to the Board regularly on their progress and make recommendations when opportunities present. The motion passed unanimously.

MOTION: Director Munson moved, and Director Wright seconded, that the Board’s Joint Coordinating Committee membership consist of Directors Carleton and Chilton and CEO Thompson, with Director Munson as the alternate. The motion passed unanimously.

MOTION: Director Carleton moved, and Director Sexton seconded, that the Board’s Negotiating Team consist of Directors Carleton and Chilton and CEO Thompson, with Director Munson as the alternate. The motion passed unanimously.

XII. Board Strategic Planning

The Board met outside session yesterday to do Board Strategic Planning as a group; the session was coordinated by Directors Munson and Carleton. Director Munson summarized the Board Strategic Plan process and presented a plan proposal that draft was worked on by the Directors. The Board Strategic Plan is simply how the Board plans to do its work. The Board’s three main products under Policy Governance are to ensure linkage with the membership, provide explicit governing policies, and assure organizational performance. To this should be added the AOG/Endowment MOU, which is a task that also rests entirely with this Board rather than the organization. By way of history, the Policy Manual’s chapter 4, written by our Chairman, incorporated a rough starter plan; we recognized that the plan needed to be fleshed out after the Board had experience with Policy Governance. Former Director Lockie initiated a concept for a calendar approach to assure the Board follows a recurring process for achieving a plan, but he left the Board before it could be fleshed out and agreed to. The Directors yesterday considered a draft Strategic Plan that would address the four Board products. It would follow a two-year iterative process geared to the biennial election cycle. The process would then be policy and thus could be amended or changed by the Board as necessary. After discussion, Director Munson was asked to draft a change to Chapter 4 with the Board Strategic Plan process, with changes agreed to at the meeting, for the February meeting.

Director Carleton reviewed the teleconference between the Board and George Watt, the former CEO of the joint USNA Alumni/Foundation organization, on the benefits and problems encountered with joining those two organizations. Director Carleton’s

complete summary is at Atch 9. The chief benefits of a joint Alumni/Foundation were stronger financial support for the Academy, improved organizational efficiency, better HR and IT resource usage. The chief problem/lesson was that governance matters and that not enough attention was paid to that challenge. To the question: “was it worth it?”, the answer was yes.

XIII. Unscheduled Business

CEO Thompson asked if there was interest in having a Policy Governance consultant provide a mini-course at the May meeting when the new Directors come in a day early; to which the Chair agreed it was worth considering.

Director Chilton asked if there was some way that individuals who attended the Academy, but did not graduate, could be listed in the Registrar of Graduates. The CEO agreed to look into the possibility.

XIV. Adjourn

The Chair thanked the Board directors, AOG staff, and Senate representative for their efforts. The Board will next meet on February 1, 2013. The meeting adjourned at 1600 hours (MDT).

Note: portions of the minutes have been rearranged from time sequence to topical sequence.

Respectfully submitted,

Hadassa Muñoz, Recorder
Robert Munson, Secretary

Atch:

1. Minutes of the 3 August 2012 Board meeting
2. Minutes of the 20 November 2012 Board special meeting
3. CEO Policy Compliance Report 2.8
4. CEO Policy Compliance Report 210
5. Quarterly Financials
6. Audit report
7. Class of 1971 Air Warrior Combat Memorial presentation
8. POW plaque proposal for the SEA Pavilion
9. Summary of George Watt comments on USNA joint Alumni/Foundation model