

ASSOCIATION OF GRADUATES
UNITED STATES AIR FORCE ACADEMY 

BOARD OF DIRECTORS MEETING

3 February 2012

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; Bruce Wright, '73; Steve Beasley, '93; Kathleen Rock, '98; Bebe O'Neil, '83; Kevin Chilton, '76; Frank Schmuck, '88

Board Members Attending via Teleconference: Mark Rosenow, '03; Dick Sexton, '60, President, Class Advisory Senate.

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 ; Maj Charles Gilliam, Exec to Superintendent.

- I. Call to Order**

The Chairman, Terry Storm, called the meeting to order at 0930 hrs MST, Friday, 3 February 2012.
- II. Moment of Silence & Pledge of Allegiance**
- III. Notified Absences & Introductions**

The Board Chair welcomed the Board members and notified them that Director Rosenow and Senate President Sexton would be joining via teleconference.
- IV. Approval of Consent Agenda**

The Chair pointed out that the consent agenda included the minutes of the Board meeting on 2 December, 2011 (Atch 1) as well as minutes of the Board special meeting on 14 December, 2011 (Atch 2). No objections being noted, Director Carleton moved to approve the consent agenda as presented. Motion was seconded by Director Chilton and passed unanimously
- V. Approve Agenda**

The Chair offered the agenda to the Board for approval; the Board offered no additions or changes to the agenda as written.
- VI. Committee Updates**
 - A. Governance Committee:**
 - 1. Governance Policies Review for Compliance with 2011 Bylaws**

Director Binn reported that the committee will be doing an on-going review of the policy manual.

2. Election Dates/Rules for 2013

Executive VP Howe reviewed his proposed timeline for actions that would lead up to the 2013 Board elections (Atch 3). He noted that although it might seem early to be concerned about the 2013 elections, the contract with the election company will need to be negotiated before the next board meeting. He pointed out, however, that there are only two points that needed to be decided at this time. All others could be adjusted later if necessary. Howe recommended that:

1. The election period run from Friday, 1 February to Monday, 3 March 2013 and that
2. Only electronic voting be used with no option for a paper ballot.

A 30 day voting period is more than ample because most voters respond immediately or not until the 11th hour, regardless of when that is. The former 60 day period was required for paper ballots to be mailed world-wide and returned. In the last election the voting was done electronically with the option to ask for a mail ballot; only six members requested paper ballots. EVP Howe said that mailing ballots on request was neither difficult nor expensive. A number of Directors felt that, despite the low numbers of paper votes, the Board should not restrict voting to just electronic methods.

MOTION: Director Carleton moved that for this election paper ballots be offered to those members who wish to use them, in addition to electronic voting. Director Andrews seconded and it passed unanimously.

Director Munson pointed out that, by Board policy, the Nominating Committee would present a list of candidates it recommended for Board approval; however the proposed timeline did not have that policy. EVP Howe agreed to amend the timeline with that Board policy.

MOTION: Director Andrews moved, and Director Carleton seconded, that EVP Howe's election timeline (Atch 3) be approved with the changes above. The motion was passed unanimously.

3. Motion to change BOD Policy 4.7

Director Munson presented a motion to amend Policy 4.7, "Director Attendance and Expenses", that the Board had asked him to change in the last meeting; Director Chilton seconded the motion. The motion clarifies Board Policy that Directors are responsible for travel expenses, but also provides for exceptions to policy.

Director Fry was concerned that this policy change would allow Directors to submit reimbursement requests prior to approving a budget for such reimbursements. Chairman Storm asked if this policy would allow Directors to request reimbursement for expenses

to go to a scheduled Minneapolis Chapter meeting in March that the AF/CC would be attending; Director Munson responded that if the Board chose to do so, it could approve travel to this event under this policy. Governance Chair Binn was of the opinion that this motion was restricted to Director travel to/from Board meetings. The Chair asked the Board if this motion should apply only to meetings and there was general approval; Director Munson agreed to make that change. CFO Parrish asked if the Board really wanted this expense as a separate line item, vice reporting it with the rest of Board expenses under 'Projects', recommending that individual expenses not be separated. Director Munson asked if it would be appropriate to include these exceptional expenses, then, as a comment; his opinion was that since these expenses are exceptions to policy they should be visible. Director Fry preferred that these expenses be budgeted for in the next budget. Director Sexton reminded that the Senate approved reimbursing Directors as long as there was money in the budget. Director Andrews added that the proposed reimbursement process was too complicated and time consuming; and he offered an amendment to strike the second sentence in paragraph 4.7.1.b. The motion was seconded by Director Binn. The Board approved the amendment with only one against (Munson).

The proposed motion offered by Director Munson and seconded by Director Chilton, as amended, was then put to a vote.

MOTION: The Board approves the following change to its Policy and Procedures manual, section 4.7, to read:

1. Attendance - As Board contemplation, deliberation and decision-making are processes which require interaction, collaboration and participation; attendance at Board meetings is expected of all Board members. Directors are responsible for travel expenses to and from Colorado Springs at least four (4) times each year and must be able to afford the time away from his/her profession to attend these meetings and for related work.

- a. Board members owe a duty to the membership and should consider offering their resignation if they cannot serve the AOG.
- b. The Board may elect to reimburse members for Board meeting travel expenses.
- c. Though the Bylaws provide that any Board member who has missed two consecutive meetings may be considered to have resigned, the Board may elect to retain such members if the cause is for military duty or extraordinary circumstances over which the Board member had no control.

Director Fry, acknowledging that the Board sense was to include Board expenses in the budget, announced that the Finance Committee would be building a 'bottoms up' budget which would include this item.

B. Nominating Committee:

Committee Chair Beasley informed the Board that the Nominating Committee met on 1 February. He noted there was some controversy within the committee on the recommendation process. He tasked all of the Board members to provide him with 'skills, talents, and capabilities' that the Board is recruiting for, not later than 1 May.

Chairman Storm asked EVP Howe to provide the Nominating Committee with the skills the Board defined for the last election as a reference.

C. Audit Committee:

1. Form 990 Approval

Committee Chair Blaisdell informed the Board that the Committee had reviewed the FY 2010 Form 990 and had changed the mission statement on the form to reflect the mission statement on the AOG website. The copy provided to the Board members is the 'public copy' without names of the major donors included; the Board has access to the IRS copy on request.

D. Finance & Investment Committee:

1. AOG Reserve Fund Recommendation

Director Fry reported that the AOG Reserve reached its goal of \$1M; the Finance Committee now recommends changing the goal to \$1.5M by 2015. The rationale for that figure was that it represents about half of the annual budget, a generally accepted practice. The Committee deferred on deciding what to do with the excess funds once the \$1.5 million goal is reached. There was some discussion to clarify the purpose and use of this fund: the CEO can use up to 50% of the reserve fund without Board permission but he must inform the Board, and must still remain within the Board-approved budget. Director Blaisdell, on behalf of the Board, commended the CEO and CFO for reaching the initial reserve goal so quickly.

MOTION: Committee Chair Fry moved, and Director Munson seconded the motion that the Board change Board Policy 2.6, paragraph 1, to read "Accordingly, the CEO will not fail to: 1. Budget for and grow the AOG Reserve to not less than \$1,500,000 by 30 June 2015..." The motion was approved unanimously.

Committee Chair Fry informed the Board that the AOG and Finance Committee will be 'deep into the budget process' by the next Board meeting 4 May 2012, and that the Board will likely be asked for approval in June 2012.

E. Heritage Committee:

1. Nomination for Heritage Committee membership

MOTION: Director Andrews moved, and Director O'Neil seconded that Director Chilton be approved as a member of the Heritage Committee. The motion was passed unanimously.

2. Approval of the POW Memorial Plaque

Prior to discussing the POW Memorial Plaque, Director Andrews reported that he had received a letter from the Class of '70 requesting that they have a class representative as either a voting member of, or an advisor to the committee when discussing the SEA Pavilion. Some background was provided by CEO Thompson and EVP Howe: The SEA Pavilion, a Class of '70 gift, was offered as a multiphase project intended to be added to

after the initial building was completed. On the one hand, once a gift is made, the donor cedes control of the gift to the AOG and cannot have the final say in future development or changes. On the other hand, as the primary donor and developer of the SEA Pavilion, the Class of '70 is welcome to "advise" the Heritage Committee and the Board. After some discussion the Board's opinion was that the committee could include an advisor without Board approval.

Director Andrews then asked the Board to consider the draft rendering offered by Gen Yates for a POW Memorial Plaque to be placed inside the SEA Pavilion. Gen Yates noted that it is the design of artist Jim Nance '71. It will be about 8'x8' in size, weigh approximately 6000 lbs, and have the names of all graduates who were imprisoned during the Viet Nam conflict. The names will be in order of capture date and include class and aircraft type. The final design will be 'vetted by as many POWs as I possibly can.' To the question of what was being asked of the Board, Gen Yates responded that in order for him to raise funds for this project, he needed Board approval for the concept. Director Andrews clarified that the Heritage Committee had looked at the proposal and had approved it to go forward to the Board for approval. In the discussion the Board supported the concept but wanted to ensure that the approval process be followed. VP Howe noted that historically projects have generated disagreements and that the artwork needed to be closely followed through approval.

MOTION: Director Andrews moved, and Director Chilton seconded, that the Board approve the concept (Atch 4) for a POW Memorial Plaque to be placed within the SEA Pavilion. Before the design is finalized it should be vetted by as many former POWs as possible. And then the project should be reviewed by the Heritage Committee for its recommendation before final approval by the Board of Directors. The motion passed unanimously.

3. Honorary Membership Nomination

In accordance with the Bylaws, the Board went into Executive Session to discuss Honorary Membership Nomination. After resuming open session the following motion was offered.

MOTION: Director Schmuck moved, and Director Munson seconded, that the discussion of this honorary membership be tabled. The motion was passed unanimously.

The Chair asked the Board to make suggestions on formal criteria for determining honorary membership.

4. Award Program Discussion

Director Andrews noted that the Distinguished Graduate Award Committee had added the 50th Class Reunion Award. He stated that the Heritage Committee should be responsible for awards programs rather than the Distinguished Graduate Award Committee. The awards programs should be expanded to include awards that recognize grads early in their careers. To that end EVP Howe was looking at other academies and civilian school to see what they do in regards to their awards. EVP Howe briefed the

Board on the work this committee had done in building a nomination and approval process for the 50th Class Reunion Award.

MOTION: Director Andrews moved, and Director Binn seconded, that the Board approve the nomination and selection criteria for the '50th Class Reunion Award'

CEO Thompson raised the issue of whether a new committee should handle awards as opposed to either the Distinguished Graduate Award Committee or the Heritage Committee. The CEO emphasized that the other academies have more classes of awards and we should be doing this as well. Director Binn offered that the AOG could manage these types of awards vice management by Board committee. Director Andrews did not disagree, once the awards processes are approved.

The Chair proposed that a Task Force composed of Directors Carleton, Andrews and Rock be constituted to review awards and make recommendations to the Board. The Chair encouraged them to bring in other graduates as well and to include Honorary Membership as one award that needs to be addressed. The Task Force will provide recommendations, or an update report, by the next Board meeting.

VII. Other Board Actions

A. CEO Evaluation and Contract Negotiation Task Force Appointment

The Chair provided an historical update on CEO Thompson's contract: his initial contract was for two years and included expenses for moving; the second contract was approved by the Board and was then extended in order to align it with the budget approval process. It is now time for the Board to evaluate the CEO's performance, and develop a follow-on contract. The Chair announced that he has created a task force to prepare recommendations for the Board. The Task Force includes Directors Binn (Task Force Chair), Carleton and Rosenow. The Board had no objections. Director Binn announced that the intent is to have recommendations for the Board by the May meeting.

VIII. Senate Update

For the record, Senate President Sexton objected that the Senate was not consulted on the AOG/USAFA Endowment MOU negotiations although he admits the Board was not obligated to do so. The Chair thanked him for the report and the interest by the CAS in the matter.

IX. Endowment Report: Gen (Ret) Steve Gen Lorenz '73, CEO of the USAFA Endowment.

Gen Lorenz briefed the Board on the USAFA Endowment results for the fiscal year ending December 31, 2011. On a GAAP basis, the Endowment raised \$16.7M, the most ever raised in one year and the bulk of those pledges were supporting construction of the CCLD building. The Academy hopes to break ground this summer. He said one major push was for bequests which are a dominant source of funds for the other academies. He attributes this success to having a great team as well as programs that are easy to sell, such as the CCLD.

The Endowment's goals for 2012 are \$3M for CCLD, \$2.7M for Academy/Annual Fund, \$150K for Long Blue Line Endowment. Overall goal is \$9M for the year, but they have already raised more than 33% of that because of a donation of \$3.5M (to be given over 10 years) from H Ross Perot. The gift supports the CCLD Chair. Gen Lorenz has his staff looking at the possibility of a major fundraising campaign, to start in 2013 or 2014, for multiple projects that must be considered by the Endowment Board.

X. Guest Speaker: Lt Gen Michael C. Gould '76, Superintendent

Lt Gen Gould briefed the Board on a number of topical items currently being managed by his staff. He appreciated everything that the AOG and Endowment were doing for the Academy.

XI. Guest Speaker: Lt Col Dave Keller '90, NCLS Program Director

Lt Col Keller briefed the Board on the upcoming annual National Character and Leadership Symposium (NCLS) on 23-24 February. He thanked the AOG for its support and noted that a good number of graduates (~60) were attending and assisting the CCLD staff.

XII. AOG/USAFA Endowment Joint Coordinating Committee

Director Carleton reported that the JCC has one more task, allocating its 25% share of the Annual Fund money. On a cash basis the Annual Fund received \$1.9548M for the year and the Academy, Endowment, and AOG will each receive 25% of the amount over \$1.9M. The JCC will meet to decide on how its portion, about \$14K, will be used. It will meet after the negotiations for the Annual Operating Contract (AOC) between the Endowment and AOG are complete. CEO Thompson added that the AOC is down to a few final details and should be concluded soon.

Director Carleton was asked for a status on the Joint Finance Committee, and he reported that there had been discussion on the AOG side, but no talks with the Endowment to date. The JFC was awaiting agreements on the AOC and the JCC split. He outlined the requirements of the new MOU which directed that the JFC "establish a process by January 1, 2013 to determine budget requirements of both the AOG and the Endowment and recommend to both Boards the most efficient and effective use of annual fund gifts beginning in 2014." Director Fry said that this timeline drives the AOG to push the process six months ahead as the AOG's budget year for this timeline will start July 2013. The Chair asked if the JFC would address the different fiscal years, and Director Carleton noted that the Endowment was not interested in changing their fiscal year. Director Beasley noted that the differences in the focus of both organizations would seem to hamper success at cooperation, and he expressed concern that the AOG might lose relevance. Director Munson, while sharing his concerns, pointed out some of the changes being seen in Endowment focus and activities (e.g. planning for capital campaign) were indicative of improvement; and Chairman Storm added that the Long Blue Line Endowment showed that the Academy and Endowment now actively support this AOG need. Director Fry said that the opportunity offered by the Joint Finance Committee is a cooperative approach toward agreeing to common initiatives and programs that support both organizations.

XIII. Staff Report

A. CEO Monitoring Report

CEO Thompson reported that he and the AOG were in compliance with Policies 2.2, 2.7, 2.11; details are at Atch 5-7.

B. Quarterly Financial Update

CFO Parrish reviewed the data and highlights of the quarterly financial report (Atch 8). Director Carleton asked about the status of the derivatives' investments, and Treasurer Fry said that they were above the target (10%) but within the boundaries; the CFO added that redemptions can be difficult as with one fund that is constrained by a six-year redemption period, so these funds are real long term investments. Though the December returns on investments were poor overall, the one sector that did well was the derivatives. To a number of questions about the financials' reporting of Endowment subsidies to the AOG under the MOU, CEO Thompson said reporting is difficult because of a number of factors such as the annual fund donations are received by both organizations, late monthly payments, variable payments, etc. The CFO acknowledged the seeming incongruences and offered to review and reconcile the numbers reported.

C. AOG Operations Update

1. Graduate Display in Fairchild Hall: CEO Thompson reported that progress had been made in achieving agreement with the Dean to provide displays in the cadet commons area, known as the Falcon Center, near the lectinars. As of now the AOG will have four walls in which to place pictures of graduates who have distinguished themselves, more than was asked for. The AOG now needs to adjust its vision to accommodate the increased wall space.

2. Wall of Excellence: There is now a large board with pictures of the previous Chairmen of the Board and Presidents and CEOs that also includes the names of those who served as Executive Directors before the AOG was approved as a 501(c)3. This display should last for 35 years. In addition, in the Board room are the names of all who have served on the Board arranged by USAFA class.

3. Communications: VP for Communications Bob McAllister reported to the Board 'phase two' of improvements to the website, demonstrating its planned new capabilities as a part of the AOG Strategic Plan. The capabilities include integration of social media, integration of other Academy focused non-profits into the website, multiple media capabilities, and making an online version of Checkpoints, to name just a few. He demonstrated how a Checkpoints on-line could incorporate video.

4. Academy Round Table: CEO Thompson commented that the heads of all non-profits were meeting monthly. The AOG has made the offer to build and maintain websites for all the non-profits. The organizations are for the most part interested although there are some cost issues to be resolved.

5. AOG Strategic Plan: The CEO reviewed the AOG Strategic Plan and its five focus areas. All of the areas are focused on the Board's Ends. He walked the Board members through an example, starting at a high level and then progressing through more detailed levels. He took "Member Engagement" which has six areas. One such area is "Chapter Development" which has a goal associated with it and a five-year plan

to achieve that goal. One such goal is “Establish a succession strategy for Chapter Leadership.” This goal, in turn, has steps toward achieving that goal and a timeline. He encouraged the Directors to look at the Strategic Plan which encompasses all the activities of the AOG, all driving toward the Board’s ends policies.

XIV. Adjournment

The Chair thanked the staff and Board members for their work; the meeting was adjourned at 1630.

NOTE: Portions of the minutes have been rearranged from time sequence into topical sequence.

Respectfully submitted,

Hadassa Muñoz, Recorder
Robert Munson, Secretary

Atch:

1. [Minutes of the 2 Dec 2011 Board meeting](#)
2. [Minutes of the 14 Dec 2011 Board meeting](#)
3. [Timeline 2013 Elections](#)
4. [POW Memorial Plaque concept \(pic\)](#)
5. [CEO Policy Compliance Report 2.11](#)
6. [CEO Policy Compliance Report 2.2](#)
7. [CEO Policy Compliance Report 2.7](#)
8. [Quarterly Financial update](#)