

ASSOCIATION OF GRADUATES

UNITED STATES AIR FORCE ACADEMY



BOARD OF DIRECTORS MEETING

1 February 2013

APPROVED Meeting Minutes

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

Board Members Absent: Kevin Chilton, '76; Frank Schmuck, '88; Mark Rosenow, '03; Steve Beasley, '93

Board Members Attending via Teleconference: Kathleen Rock, '98

AOG Staff Present: William 'T' Thompson, '73, President & CEO; Gary Howe, '69, Exec. VP; Alton Parrish, Senior Vice President for Finance and CFO; Marty Marcolongo, '88, Senior Vice President 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; Dermott Coll '95, AFA Corporation CEO; Brian Binn, '72 USAFA Chief, Development and Alumni Affairs

I. Call to Order

The Chairman called the meeting to order at 0900 hours MDT, Friday, 1 February 2013.

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; Kevin Chilton, '76 and Mark Rosenow, '03 would be absent due to various job or profession related commitments and Director Kathleen Rock, '98 would be joining via teleconference.

IV. Chairman's Comments

Chairman Storm noted that this will be his last full meeting as a Board Member and Chairman. He added that he could not fully say how much of a pleasure it has been to work with each and every member of the Board and how much of a honor it has been to serve as Chairman. He wanted to specifically thank outgoing Director Blaisdell for his work leading the Bylaw changes as well as recently departed Director Binn for his work as Vice Chair/Governance Committee Chair. He went on to thank current Board members Carleton, Munson, and Fry as Board officers. The Chairman went on to recognize each member of the Board for their contributions and to thank them individually. He presented each Director with a small token of his appreciation. He concluded by citing CEO Thompson and his key

staff by name and thanking them for the work they had done in the last years to grow the AOG and make it successful.

V. Approval of Consent Agenda

MOTION: Director Sexton moved and Director Andrews seconded to approve the consent agenda (minutes of the Board meeting for 7 December 2012 and Special Meeting on 10 October 2012, at Atch 1 & 2). Motion to approve agenda passed unanimously.

VI. Approve Agenda

There were no changes offered by the Board to the Chair's agenda

VII. Committee Updates

A. Secretary Report

The Board, at its strategic planning session, agreed to a Board Strategic Plan and Agenda. At the last Board meeting the Board agreed to formally incorporate its plan into Policy 4.4 and break it into two parts to facilitate future updates. There were changes offered by Directors and EVP Howe since that meeting, and they were incorporated into the proposed Board policy.

MOTION: Director Munson moved, and Director Carleton seconded, to approve the changes to Policy 4.4 (Atch 7). The motion to approve these changes passed unanimously.

B. Governance Committee, Election 2013 Update

Vice Chair Carleton quickly reviewed the key parts of the election process/calendar, and noted that the election started this day. The election will close at 12:00 noon MST on 4 March 2013, the Secretary will certify the results o/a 7 March, the candidates notified and then the results announced o/a 10 March. To be eligible to vote, annual members had to be current on dues as of 1 December 2012. The voting will be electronic, though members can request a paper ballot. The Chair will inform the winning candidates of the results and the Secretary will contact those who were not elected.

C. Audit Committee

Committee Chair Blaisdell reported that the committee reviewed the AOG's Form 990. Discussion to consider changing the mission wording on the Form 990, as it currently reflects that the AOG has a fund raising mission. After discussion, it was decided to keep the Form as is, since the AOG still has a fund raising mission in accordance with its 501 (c) (3) IRS designation with the MOU defining its role.

D. Finance & Investment Committee

Director Fry reviewed his committee's proposed changes to the Board's Financial Management & Investment Policies (FMIP) sent out to the Directors about a month ago (Atch 8). Though there was discussion clarifying the definition of class agency funds and class funds, there were no objections to the changes offered.

MOTION: Director Fry moved, and Director Wright seconded, to amend the FMIP with the changes in Atch 8. The motion passed unanimously.

Director Fry reviewed the AOG's historical sources of funds up to the present to demonstrate that the AOG is currently healthy. However, the AOG income from investing donor funds is dwindling, thus its future health depends more on income flow from annual funds distributed from the Endowment, as well as the Life Membership pool. He recommended that this review of revenue streams be presented annually.

E. Heritage & Traditions Committee

Committee Chair Andrews told the Board that he would be at the Memorial and Gifts Board meeting, as the AOG BOD representative, where the Class of 1971 will present their proposal for the Air Warrior Combat Memorial (Gen Olds statue). Brian Binn, '72, added that '71 had already briefed the Superintendent, and they want to have it placed in the Air Gardens. Though Lt Gen Gould has an open mind, there are some which will come into play with getting approval from State Historical Property Office as the Academy is a National Historic Site. Director Andrews and Director Munson reported that feedback from the Class of '71 and other supporters was greater than 90% for placing the statue in a better location than the Heritage Trail. Director Wright wanted the minutes to reflect the Board's appreciation for Director Andrews' handling of the Class of '71's AWCN proposal.

Director Andrews asked the Board to consider minor changes to the Heritage Trail policy that would hopefully clarify that the Heritage Trail is specifically to honor USAF Academy graduates.

MOTION: Director Andrews moved, and Director Sexton seconded, to accept the changes in the wording of the Heritage Trail Policy (Atch 9). The motion passed unanimously.

VIII. Senate Update

Director Sexton reported that the CAS met on 17 Jan and that Gary Dudley presided over the meeting in his absence. They heard presentations from the CEOs of both the AOG and the Endowment. The Senate was impressed with the progress and success of both organizations. The CAS is now working on the latest third iteration of its 'Moving Forward' white paper which will have recommendations for the Board as it looks to the future. Director Munson pointed out that the Board now has a strategic plan and two-year schedule that the CAS can use. The CAS will now know what policies the Board will be reviewing at any given meeting and can thus make recommendations for or against those proposed policy changes. Chairman Storm asked the AOG staff to place the Board Strategic Plan on its website.

IX. Executive Session

Chairman Storm asked that the Board go into Executive Session i.a.w. Bylaws Art V Sec 8.

MOTION: Director Munson moved, and Director Andrews seconded, that the Board go into executive session i.a.w. Bylaws Art V Sec 8. The motion passed unanimously.

While in executive session the following motion was presented:

MOTION: Director Munson moved, and Director Andrews seconded, that the AOG offer honorary membership to Dr Dean H. Wilson, Lt Col, USAF, retired, Registrar for the USAF Academy. The motion passed unanimously.

The Chair reported out of executive session that the Board discussed whether the AOG should withdraw 5% of the Long Blue Line Endowment monies raised by the USAFA Endowment. The BOD recognized that this was an operational decision left to the CEO and felt he would make the proper decision with regard to the funds.

Another topic in executive session was the possibility of making a wording change to the Institutional Fund Agreement to resolve the concerns of the AOG Treasurer and an Endowment member of the Joint Finance Committee on the closeout date wording for the LBL fund held by the Endowment. The Board agreed to refer the matter to the JCC.

X. Endowment Update, Gen Steve Lorenz '73

Gen Lorenz summarized the USAFA Endowment results for 2012. The Academy Fund's goal of \$2.7M was exceeded and resulted in \$2.9M in pledges; the number of Sabre Society donors is now over the 1000 mark. The Long Blue Line Endowment goal was \$150K and \$180K was raised. Overall the goal for fundraising last year was \$9M, and the Endowment raised \$17.7M in pledges. They have had 24 bequests (pledges entered into a will or estate document) as well. All of it was due to a major team effort, which included the AOG as part of the team. One challenge is that Mark Hille '95, VP for Development, has accepted another position and will be difficult to replace.

XI. Guest Speaker, Dermott J Coll '95, CEO, Air Force Academy Athletic Corporation

Derm Coll '95 briefed on the status of the Air Force Academy Athletic Corporation (AFAAC), which will assume responsibility for raising funds for intercollegiate athletics from the current AFAAA which will go out of business in July 2013. In addition, it is taking over the government Non-Appropriated Fund Instrumentality (NAFI) activities within the athletic department, which had employed about 120 service workers, and is transforming it into a regular working business model. Some of the intercollegiate coaches will also be employed by the AFAAC. The first project for fund-raising is to rebuild Falcon stadium; however the AFAAC does not have a fund-raising ability yet, and its Board is 'still working it out.'

XII. Guest Speaker, Brian Binn '72, USAFA/CMA

Former Director Brian Binn, now in Harmon Hall as the Academy's Chief, Development and Alumni Affairs, briefed the Board on USAFA/CMA. He is responsible for a number of programs including the Gifts and Memorial Board, Alumni Programs, Cadet Awards, Parents Club Coordinator, and the Museum Specialist. His office is responsible for working with the organizations that support the Academy, including the AOG. Those organizations, in any given year, provide 2-3.5% of money to USAFA programs that go through his office. The Academy also gets outside support from organizations that doesn't go through his office; the Athletic Foundation being one example. He briefed the Academy process for developing priorities for outside funding.

XIII. Staff Report

A. Quarterly Financial Update

Senior Vice President for Finance and CFO Alton Parrish presented the quarterly financial report 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. Additionally, a detailed management discussion and analysis of all significant line items was included (Atch 5). The Board had no issues with the content of his report. Chairman Storm again complemented SVP Parrish on the improved financial reporting.

B. Proposal to add Corporate Officers

President & CEO Thompson explained to the Board that adding more Corporate Officers would bring down the AOG Workers' Compensation Policy expenses, as their salaries would be exempted above a cap from calculations for the premium. There is no change in authorities, no change in legal liabilities and the responsibilities of these officers would remain the same. Currently only the CEO and CFO are corporate officers, though the Bylaws allow the Board to name additional officers. The insurance provider has been notified of the intent, and they asked for documentation in the form of Board minutes.

MOTION: Director Munson moved, and Director Andrews seconded, that under the authority granted by Bylaws, Article IV, Sec.1, the Board appoints the Executive Vice President, Senior Vice Presidents, and Vice President, having the authority to control, supervise and manage the business affairs of the corporation as delegated by the President and Chief Executive Officer. The motion passed unanimously.

C. CEO Monitoring Report: Policies 2.2, 2.7, 2.11

The CEO briefed the Board on the following quarterly monitoring items: Treatment of Staff, Emergency Executive Succession, Membership Dues & Fees (Atch 2, 3 & 4). He summarized the reports as saying he remained within the Executive Limitations set by the Board in its Policy Manual.

D. AOG Operations Update

1. Alumni Affairs

Vice President for Alumni Affairs Corrie Grubbs updated the Board on the success of the latest Life Membership resulting in 33 new cadet life memberships. The upcoming campaign will offer life membership discounts for Class of 2013. On chapter growth, the AOG has reached its FY 2013 goal of 75. The chapters have been active: There will be a Phoenix Chapter Breakfast with Lt Gen Gould, "T" Thompson & Gen Lorenz on 13 February, as well as a Ft. Lauderdale Chapter breakfast hosted by Lt Gen Gould and "T" Thompson on 27 February. Upcoming events include Food for Thought luncheons, Scotch tasting, golf tournament in San Antonio and Atlanta, as well as assisting with Founders Day events nationwide.

2. Communications

Senior Vice President for Communications, Bob McAllister, briefed the Board regarding upcoming and ongoing projects. Notable projects include implementation of mobile applications for our website optimizing that view for smart phones, redesigning the Doolittle Hall rental site, executing the AOG Board election, producing the Endowment donor report, developing publishing tools for chapters, publishing the current Checkpoints, creating a master calendar for USAFA, building a

capability for sending grads birthday emails, as well as converting the virtualization update project.

3. Business Development

Senior Vice President for Business Development, Marty Marcolongo, '88, briefed the Board on the growth of AOG business ventures. All revenue categories (royalties, advertising/sponsors, membership, SACC, and merchandise) are exceeding FY13 budget projections. Halfway through the FY overall revenue is \$1.4M, almost \$200K ahead of projection. Merchandise sales alone are \$113K over projection due to innovative and aggressive e-advertising.

E. Proposal to Include Non-Grads in Register

EVP Howe reported that both West Point and Annapolis include non-graduates in their registers. For the AOG to do this, the question is whether USAFA data is releasable to the AOG. The AOG has non-graduates who are affiliate members, but they are not listed in the Register. CEO Thompson said the AOG had no problem with publishing the names, but that the Board should discuss whether this will be a graduate organization or whether the organization should be broadened. A number of Directors pointed out that their classes considered those who did not graduate to still be classmates.

MOTION: Secretary Munson moved, and Director Andrews seconded, that the AOG include the names of non-graduate former cadets in the AOG Register of Graduates, if those names are available from the Registrar's Office. The motion passed unanimously.

XIV. Other Board Actions

1. CEO Evaluation Task Force

The Chair informed the Board that he had tasked Director Carleton to lead a task force to conduct the CEO's annual performance evaluation. He has asked Directors Chilton and Rosenow to assist.

2. Trainer for Board Orientation on 2 May 2013

Chairman Storm told the Board that CEO Thompson and Director Munson had talked with him about hiring a trainer to conduct the bi-annual Board orientation in May. CEO Thompson had looked into two possible Carver Governance consultants; their rates were \$4800 and \$7000 respectively, which was considered too expensive. Director Andrews suggested talking with the Front Range Executive Service Corps; if they have an expert it will be much cheaper. The Chair left it to Directors Carleton and Munson and CEO Thompson to look into the training session.

XV. AOG/USAFA Endowment JCC

Director Carleton reported on the JCC meeting of 17 Dec to address sticking points on the Institutional Fund Agreement (IFA) between the AOG and Endowment concerning the Long Blue Line endowment (LBLE). Endowment representatives included Paul Madera (on the phone), Terry Drabant and Gen Lorenz. Gail Colvin represented the Superintendent. CEO Thompson and Directors Carleton and Munson represented the AOG. The Endowment sought wording that reassured donors that their donations would be stewarded and spent wisely if/when managed by the AOG.. The AOG position was that this was an unrestricted endowment that could be used for any part of the AOG mission within guidelines established in the current MOU; the Superintendent had agreed

to the LBLE as one of his seven top priorities in that context. The two parties found mutual agreement on IFA wording that did not change the basic character of the LBL endowment. General Lorenz incorporated the changes into the IFA, and the document was signed on 7 January.

XVI. Review Board Calendar & 3 Month TO-DO List

Board Secretary Munson noted that all items for this meeting had been completed. The Nominating Committee will need to consider candidates for appointment to the Board. EVP Howe added that there will be two four-year openings for appointed directors. For the next meeting, all Directors should let Nominating Committee Chair Beasley know their recommendations for Chair, including themselves. The AOG staff will be developing their update to their Operations Strategic Plan. At the next meeting, the first order of business will be to elect a Chairman. The new Chair, in turn, will nominate Board Officers for approval. The Board may consider filling their appointed positions with candidates provided by the Nominating Committee. The AOG budget will be presented for approval. Chapter 2 of the Policy Manual will be reviewed; the Chair asked Director Wright to do this, and he agreed. Chairman Storm will send out an interest sheet for all Directors to indicate their interest in committee assignments. MOU negotiators have already been appointed.

XVII. Adjourn

The Chair thanked the Board directors, AOG staff, and Senate representative for their efforts. The CEO, on behalf of the AOG staff, thanked the Chair for his service over the past years. The Board will next meet on May 3, 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 7 December 2012 Board meeting
2. Minutes of the 10 October 2012 Special Meeting
3. CEO Policy Compliance Report 2.2
4. CEO Policy Compliance Report 2.7
5. CEO Policy Compliance Report 2.11
6. Quarterly Financials
7. Form 990
8. Motion to change Board Policy 4.4
9. Motion to change the FMIP
10. Amended Heritage Trail Policy