

**ASSOCIATION OF GRADUATES**  
UNITED STATES AIR FORCE ACADEMY



**BOARD OF DIRECTORS MEETING**  
**6 February 2015**  
**Meeting Minutes**

**Board Members Present:** Roger Carleton,'67, Chair; Vic Andrews,'66, Vice Chair; Robert Munson, '73; Acting Secretary; Jack Fry,'67, Treasurer; Mike Torreano,'70; Kevin Chilton,'76; Mark Rosenow,'03; Cathy McClain, '82; Garry W. Dudley'68; President, Class Advisory Senate.

**Board Members Attending via Teleconference:** Kathleen Rock,'98; Bruce Wright,'73; Drew Miller,'80

**Board Members Absent:** Steve Beasley,'93; Bebe O'Neil,'83; Larry Fariss,'75

**AOG Staff Present:** William 'T' Thompson, '73, President & CEO; Gary S. Howe'69, Executive Vice President; Alton Parrish, CFO and Senior Vice President for Finance; Marty Marcolongo, '88, Senior Vice President for Business Development; Bob McAllister, Senior Vice President for Communications; Corrie Grubbs, Vice President, Alumni Affairs; Jack Mueller, '70, Director of Information Systems; Ruth Reichert, Executive Assistant/USAFA Endowment.

**Members and Guests Present:** Gen (Ret) Steve Lorenz, '73, USAFA Endowment; Brian Binn,'72, USAFA Chief, Development and Alumni Affairs; Col Douglas K. Lamberth, USAFA Vice Superintendent.

**I. Call to Order**

The Chairman called the meeting to order at 0830 hours MDT, Friday, 6 February 2015. The Chairman informed the Board that the Distinguished Graduate Award Ceremony will be during this year's Founders Day celebration on 10 April 2015. This year's awardees are Dr. Tom Eller, Class of 1961 and General (ret.) Kevin Chilton, Class of 1976, who is also a fellow Board member. The Chairman also introduced a new member: Garry Dudley, '68, the new Class Advisory Senate President.

**II. Consent Agenda Approval**

Chairman Carleton asked if there were any further changes to the last meeting's minutes and, hearing no objections, approved the minutes (Tab 1)

**III. Approve Agenda**

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

#### IV. Secretary Report

The Board Secretary asked the Board to write out their motions and pass them on to him.

##### A. Parking lot review

- i. **AOG consideration to add non-graduates to the Register:** CEO Thompson and EVP Howe, after noting that it would be effectively impossible to list all cadets that did not graduate, agreed that the Register could list those non-graduate AOG members who wished to be added to the Register. Director Chilton suggested to make it a policy and advertise in *Checkpoints*. The membership could go up since the ones interested are more enthusiastic about their school. CEO Thompson agreed to have it publicized.
- ii. **On-line donations to the Long Blue Line Fund:** CEO Thompson reported that the Endowment's website description of the purpose of the LBLE would be reviewed and modified to ensure it is accurate, and also be checked against the contents of the Long Blue Line Institutional Fund Agreement.
- iii. **Future Graduate Dependent Scholarship funding:** CEO Thompson said that it is the Board's decision how it will be paid and how much money will be distributed, since it is a Board program, but managed by AOG staff. Director Fry asked for a review of restricted funds to make sure that the Board's desires are met.
- iv. **Tabled motion for an AOG cadet/graduate mentoring program:** Director Munson reported that Director Miller's motion of 8 Aug 2014 would not be needed in view of CEO Thompson's intent to initiate a mentoring program. Directors Miller and Munson informed Chairman Carleton that the motion could be withdrawn and, hearing no objection from the Board, agreed that it be done.

#### V. Staff Report

##### A. AOG Update

CEO Thompson presented a preview of the next three years and then gave the word to Marty Marcolongo to explain the changes to the business operations in more detail.

##### i. Business Operations

Mr. Marcolongo informed the Board that Alumni Affairs and Business Operations were merged into one department, mainly to improve the financial well-being of the AOG with an emphasis on Graduate Services and Focus Groups. The goal is to make the enterprise more robust. Ms. Grubbs and Mr. Marcolongo are working on a new 3-year plan.

##### ii. Alumni Affairs

Ms. Grubbs gave a membership update. In reference to parents and parent clubs, USAFA CMA gives updates to parents every month, works closely with USAFA Admissions, and is in contact with the parent clubs president. They have access to the CAMIS database, and their focus is different than what the AOG is doing. Ms. Grubbs confirmed that they are working together with CMA (Ms. Marie

Nikovits). Ms. Grubbs reported that there will be seven membership campaigns through the rest of FY 2015 as well as Legacy Class events (100s Night, Ring Dance) and an annual membership campaign (3 years, at discount rate). According to a social media survey, the AOG has 24,000 followers on Facebook, which helps to gather data, engage people and get them involved. She also mentioned a calling campaign with RuffaloCody and in conjunction with the USAFA Endowment which targets about 5,000 people from class years with a low membership count. The most important thing is to engage the cadets while they are here at the Academy and solicit them then.

**iii. Communications**

Mr. McAllister explained the significance of social media to the Board and that the AOG's Facebook page is all about important items. Social media is where the constituents are and the AOG can market events and do membership drives. He predicted that by next year, the AOG will have more Facebook friends than members. He proudly announced that the AOG received quite a few CASE awards, including one for the best communications department in the district, and Steve Simon from USAFA/CMA won gold for a Checkpoints article. Mr. McAllister introduced part of their 3-year plan to develop a comprehensive survey on the entire organization for next year. Director Rock asked if they were still using Twitter and Mr. McAllister affirmed that they are still using it for events such as football games, due to its fast, news oriented program.

**iv. Status of Bennett Estate**

EVP Howe reported that there were no updates, and that they are waiting on the IRS. The lawyers say it is a long process and it may take anywhere from two to nine months. Once it is complete, the funds can be distributed. CEO Thompson added that it will not be taxed since they are a 501c3. He already has a wish list from USAFA Soaring squadron on his desk, and the cost is much less than the size of the Bennett estate, but the Air Force has final approval on what needs can be funded. AETC will have to confirm sustainability of glider purchase, as an example, before a formal request by the Academy can be made. Mr. Howe will distribute the funds to the AOG when available and an appropriate recognition of the Bennett gift needs to be made. Director Fry asked if there was a committee working on the issue, and CEO Thompson explained that the AOG might have discussions prior to the distribution, but there is no need for it right now. The AOG will make a recommendation later and the issue will then be discussed further at a future meeting.

**B. Quarterly Financial Update**

CFO Parrish presented the Board with the financial report including statement of financial position pointing out a large increase in assets due to the Bennett recognition and a significant increase in investments. He closed with the management discussion and analysis. Full report at Atch 13.

**C. CEO Monitoring Reports: Policies 2.2, 2.7, 2.11**

The CEO reported to the Board that he is in compliance with board executive limitations 2.2, 2.7, and 2.11. To the question on whether staff knows the policy on treatment of the staff, the CEO responded that you can find them in the AOG

handbook that every new employee receives at in-processing. Director Torreano recommended that a copy of the AOG grievance procedure be posted on an employee bulletin board.

## **VI. Committee Updates**

### **A. Audit Committee**

#### **i. Presentation of Form 990 (Atch 12)**

Director Torreano explained that this is the final form and that the Board saw the draft in December. He told the Board to look at Schedule A – Public Status (part 3, section 3) – the reflection of the organization’s revenues put into programs. This number needs to be at 33% or better and we need to watch this as we move forward. If it goes down, we risk losing the 501c3 status, so a discussion is necessary on how to increase revenues for this organization. CEO Thompson remarked that this issue is a result of the MOU and of going away from fundraising.

### **B. Nominating Committee**

Director Munson briefed the Board on the intent of the Nominating Committee, iaw the Bylaws, to provide recommendations to the Board Chair for Director appointments. The committee will consider all candidates previously considered, inputs from the Board, and anyone else who comes to mind. The Committee will use the Board’s 2 May 2014 direction as a guide, but not a constraint. Director Munson reminded the Board that the Chair will then decide whether and who to nominate for Board approval. He said he would query the Board on their inputs as soon as the BOD election results are made available, and he would include an experience matrix of the entire new Board as a reference.

### **C. Heritage and Traditions Committee**

#### **i. POW Memorial Dedication Ceremony**

Ms. Amanda Hess gave an update on the ceremony: of 33 graduate SEA POWs 27 are alive and 18 will be in attendance, and five next of kin will also attend. The Academy has signed off on the event and is the co-sponsor; Ed Mechenbier has already agreed to speak. The Commandant is fully supportive.

#### **ii. Plaza of Heroes Status**

The project is on schedule and they just received the confirmation that the Chief of Staff will be in attendance. In reference to fundraising, they have 80% of cash in hands, mainly due to the Classes of 1970 and 1965, and the pledges will come in to cover 100% of the project.

#### **iii. Approval of the Heritage and Traditions Committee Instruction**

MOTION: Director Andrews moved, and Director Fry seconded, that the Board approve the Heritage and Traditions Committee Instruction as contained in Atch 2. Further that the Board Policy Manual Section 4.9 Bylaws Directed Committees

have a new sentence inserted as E.2.a (re-numbering the following sentences) that reads “Comply with the current version of the Heritage and Traditions Committee Instruction.” The motion passed unanimously.

The Heritage and Traditions Committee Instruction provides detailed guidance for the business of the committee.

Director Munson, acting as secretary, pointed out that the Charters of the Committees are already contained in the Board’s Policy Manual. Having a Board approved instruction constitutes Board policy and thus this instruction should reside in the Board Policy Manual. Director Wright pointed out that the nature of this instruction is tied to USAFA Instruction 36-3102 and 36-3108 and thus is better separate from the Board’s Policy Manual. After some discussion it was agreed that the H&T Instruction could stand separately and a line added to the Policy Manual added to reference the H&T Instruction.

#### **D. Governance Committee**

##### **i. Election Update**

EVP Howe stated that the election is going smoothly so far and election information is broadcast on all communication vehicles.

##### **ii. Board Four Year Schedule**

MOTION: Director McClain moved, and Director Munson seconded, that the Board Meeting Schedule 2015-2018 (Atch 3) be approved. The motion passed unanimously.

##### **iii. Board 2015-2017 Calendar**

MOTION: Director McClain moved, and Director Munson seconded, that the Board Calendar, Table 2 in the Board Policy Manual, be amended to read as in Atch 4. The motion passed unanimously.

##### **iv. Policy 4.4 Board Strategic Plan**

Director McClain briefed the Board on her review of, and recommended changes to, policy 4.4 in the Board Governance Policy Manual. She reminded the Directors that this policy was, in effect, the Board’s Strategic Plan.

MOTION: Director McClain moved, and Director Munson seconded, that the Board’s Policy Manual, policy 4.4, be changed as per Atch 5. The motion passed unanimously.

##### **v. Policy 4 Review**

Director Munson briefed the proposed twelve changes to Chapter 4 which were, in most part, to bring the policies in alignment with the current Bylaws and Board practice. There were two substantive changes. Policy 4.8.D. was changed to remove the prohibition that Committees that recommend policies to the Board may also monitor the effect of those policies on behalf of the Board. Policy 4.9 A. 2. k was deleted and the responsibility for monitoring Board elections was transferred from the Governance Committee to the Nominating Committee.

MOTION: Director Munson moved, and Director McClain seconded, that the BOD Governance Policies Manual, Policy 4 Section, be amended as listed in Atch 6. The motion passed unanimously.

**vi. Fundraising Task Force Motions**

Director Munson briefed that a number of meetings had been conducted late last year with Board members, AOG staff, and Endowment staff. The purpose was to look into AOG Board policy changes that would drive the AOG into becoming more actively, and substantively, involved with fund raising led by the USAFA Endowment iaw the MOU between our organizations. The Board discussed two proposed motions and the wording was altered during the discussions to be acceptable to the Board.

MOTION: Director Munson moved, and Director Chilton seconded that the following changes be made to the Board’s Policy Governance Manual:

Add the following ENDS statement:

1.0 a. Academy graduates and friends that the support the AOG mission enjoy membership, with a wide range of service benefits that are support by business and philanthropic opportunities as well as dues.

And,

2.13 CEO will not fail to abide by the provisions of the current AOG/USAFA Endowment Memorandum of Understanding as approved by the Board of Directors, nor:

a) fail to consider the business and philanthropic opportunities that arise from this agreement.

b) fail to proactively support USAFA Endowment fund-raising activities that benefit the AOG mission.

MOTION: Director Andrews moved, and Director Chilton seconded, that the motion be tabled until the Chair is able to vet the motion with the USAFA Endowment to assure that there is no perceived conflict with the MOU. The motion passed unanimously.

The Board asked that a copy of the current MOU be put in the Board books.

**vii. Establishing a “Risk Committee”**

Director Chilton asked to have a Risk Committee established to manage any risks to the organization. One of the tasks of this committee would be to create a formal risk assessment process (listing the top 10 risks), and it could fall under an already existing committee. The committee would meet annually or biennially and discuss risk management. CEO Thompson said he will identify internally what the AOG’s risks are and what the organization can do against them.

**viii. Travel Reimbursement for Directors**

Acting Secretary Munson reported that the Board’s policy of 3 May 2013 to reimburse out-of-state Director travel would sunset with this meeting. The Board members were in agreement that this policy had been affordable and continues to be so, and that it alleviated the burden on Directors from out of state.

MOTION: Director Munson moved, and Director Fry seconded, that the Board continue the Travel Reimbursement Policy approved 3 May 2013 for two more years.

MOTION TO AMEND: Director Chilton moved, and Director Torreano seconded, that the phrase ‘for two more years’ be struck, and replaced with ‘until such time as the Board chooses to terminate this policy’. The amendment passed (Director Munson voted against). The amended motion passed unanimously.

**E. Finance and Investment Committee**

**i. Change to FMIP section 1.6**

MOTION: Director Fry moved, and Director Rock seconded, to change section 1.6 of the FMIP to be modified as contained in Atch 7.

The key discussion centered around the sentence “The annual budget will...include a distribution from the Long Blue Line when possible.” CFO Parrish pointed out that at stated the sentence was directive and immediate; that is to say that it would always be possible to make a distribution as long as there was money in the fund. CEO Thompson felt that the directive was unnecessary and not iaw with our governance model in that it directed him how to manage funds. The majority opinion of the Directors was that the LBLE should be allowed to grow unimpeded until such time it was needed, and thus there should be no outflow at present. The consensus also was that the CEO/CFO should have the flexibility to decide when monies from the LBL Endowment should be drawn. Director Fry agreed to have the word ‘possible’ changed to ‘prudent.’

The motion passed unanimously.

**ii. Add to FMIP section 1.11**

MOTION: Director Fry moved, and Director Rock seconded, that a section 1.11 to the FMIP be added and read as contained in Atch 8. There was no significant debate. The motion passed unanimously.

**iii. Add to FMIP section 1.12**

MOTION: Director Fry moved, and Director Chilton seconded, that a section 1.12 be added to the FMIP and read as contained in Atch 9.

The majority of discussion was directed to making the section on managing unrestricted-undesignated assets clear, and providing a process for managing excessive unrestricted-undesignated assets. Treasurer Fry accepted friendly amendments that removed a ‘trigger point’ by which the CEO would be compelled to recommend recharacterizing unrestricted-undesignated funds and placing them into restricted funds.

The motion passed unanimously.

**iv. Add to FMIP section 1.13**

MOTION: Director Fry moved, and Director Rock seconded, that the FMIP be changed by inserting a paragraph 1.13 as contained in Atch 10, and renumbering subsequent paragraphs.

There was considerable discussion concerning the biennial review, by the Board, of all Temporarily Restricted Funds. In the end the Directors agreed to remove the sentences that drove a biennial review of restricted funds.

The motion passed unanimously.

The Chair asked, following the sense of the Board expressed in the discussion, that Director Fry initiate a review of the documentation of the restricted funds over the

next year with the purpose of making recommendations to the Board.

**v. Changes to FMIP sections 2-4 – 2.7**

MOTION: Director Fry moves, and Director Rock seconds, that the FMIP sections 2.4 – 2.7 be rewritten as contained in Atch 11.

Director Fry briefed the Board on proposed changes to sections 2.5 Security Guidelines and Evaluation Benchmarks, 2.6 Money Manager Selection, and 2.7 Control Procedures. The majority of changes were in the first section. Director Torreano, though complimenting the Investment Advisors, felt that the apportionment of the investments was too aggressive; he felt that an equity/fixed income ratio of 60%/40% would be appropriate, rather than the 75%/25% ratio at present. This prompted considerable discussion amongst the Directors about the risk contained in the allocation ranges for different investments; though the Treasurer, CFO, and CEO noted that the AOG investment policy was more conservative than other colleges and universities and had performed better than our Army and Navy counterparts.

The motion passed 10-2 (Director Torreano voted against, Director Miller was absent).

Director Fry agreed to have the Investment Committee brief the new Board at the May meeting.

**VII. Endowment Update**

USAFA Endowment CEO, General (ret.) Stephen Lorenz, showed the Board some fundraising highlights and how much the Endowment has been raising in support of the AOG.

**VIII. Guest Speaker, Col Douglas K. Lamberth, USAFA Vice Superintendent**

After introducing himself to the Board, Colonel Lamberth started his presentation with a USAFA update out of a COO's perspective. The focus of the past AY 13/14 was "what" the Academy does, for AY 14/15 it is "how." The three main focus areas are 1) Culture of Commitment & Climate of Respect, 2) Innovation and Integration, and 3) Refined processes and improved communication. Colonel Lamberth talked about an upcoming branding campaign, the AF Inspection System - CCIP (Commander's Inspection Program), projects in process (CCLD, Planetarium, Air Gardens, Golf Course, Blue/Silver Club renovation) and other initiatives. He informed the Board that the new Athletic Director, Jim Knowlton, will arrive at the Academy on March 23.

**IX. Adjourn**

The Chair thanked the Board directors and AOG staff for their efforts. The Board will meet next on May 1, 2015. The meeting adjourned at 1700 (MST).

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

Respectfully submitted,

Ruth Reichert, Recorder

Robert Munson, Acting Secretary

Attachments:

1. 5 December 2014 Meeting Minutes
2. Heritage and Traditions Committee Instruction
3. Board Meeting Schedule 2015-2018
4. Board Calendar, Table 2 in the BOD Governance Policies Manual
5. Policy 4.4, BOD Governance Policies Manual, Amendments
6. BOD Governance Policies Manual, Policy 4 Amendments
7. Section 1.6 to the FMIP Amendment
8. Section 1.11 to the FMIP Amendment
9. Section 1.12 Addition to the FMIP
10. Section 1.13 Addition to the FMIP
11. Section to the FMIP 2.4 – 2.7 Amendment
12. 2013 Form 990
13. AOG Quarterly Financials