

**PROVISIONAL MINUTES
ASSOCIATION OF GRADUATES
BOARD OF DIRECTORS SESSION
Friday, October 26, 2007
1300-1700hrs MDT
&
Saturday, October 27, 2007
Doolittle Hall
0700-1530hrs MDT**

Friday, October 26, 2007 – Executive Session at 1308hrs MDT

Board Members Present: Jim Wheeler '64, Chair; Pat Rosenow '76, Vice Chair; Bill Boisture '67, Treasurer (By Phone during CSC Portion); Steve Finch '65; Fred Gregory '64; Steve Dotson '63; Marty France '81; Mike Flynn '95, James Sanchez '90, George Van Wagenen, '67

Corporate Officer Present: Michael Banks '92, Secretary

Board Member Absent: Ed Eberhart '68

AOG Staff Present: Jim Shaw '67, President/CEO; Gary Howe '69, VP Alumni Relations; Jack Mueller '70, Director Information Systems

Others Present: Peter Nagel, Nagel and Associates

I. Chairman's Welcome

The Chairman welcomed the Board to the regularly scheduled Quarterly AOG Board Meeting and thanked all attendees for arranging to arrive in time to accommodate an early start on the very full agenda. He then introduced Mr. Peter Nagel and explained that he had been invited to provide legal advice to the Board of Directors on non-profit issues related to selected Agenda topics. After some discussion, the sense of the Board was to have Mr. Nagel involved with the Fundraising and CEO Succession Agenda topics only.

II. Agenda Approval

The Chairman presented the Proposed Agenda and no changes were recommended.

MOTION: Director Finch moved to approve the Agenda as proposed and Director France seconded the motion. The Board supported the motion unanimously.

III. Closed Session

The Chairman asked for a Motion to move into a Closed Meeting in accordance with the AOG Bylaws (Article XII, Section 2, a, b, c & g).

MOTION: Director Dotson moved and Director Flynn seconded the motion to move to a closed session. The Board voted unanimously to move to a closed session.

CLOSED SESSION

IV. Distinguished Graduates

The CEO briefed that Lt. Gen (RET) Ervin J. Rokke, '62 and Mr. Gregg Popovich '70 had been selected as the 2007 Distinguished Graduate Award winners.

V. Additional Name for War Memorial

Director Dotson presented information about the events surrounding the death of Capt. Francis Zavacki (USMC) '64 in November 1969.

MOTION: Director Rosenow moved to have Francis Zavacki's name added to the Graduate War Memorial. Director Flynn seconded the motion. The motion passed unanimously.

The Board directed the CEO and Chairman to notify the Academy and the Class of 1964 of the decision. Director Dotson will contact the family.

VI. Nominating Committee

Director Gregory, Chairman of the Nominating Committee (NC), described the process for appointing Directors to the Board. He asked for discussion about the skills that The NC should be looking for in candidates. The Directors developed a list of skills that would be desirable in candidates. The Board requested the Nominating Committee to provide a list of candidates 30 days prior to the next board meeting.

VII. CSC/Foundation

Director Boisture joined by phone for this part of the meeting. Mr. Nagel also attended this portion of the meeting. The Board discussed in detail the current fundraising situation and the option of partnering with the USAFA Foundation.

MOTION: Director Dotson offered the following motion; it was seconded by Director Finch.

Whereas:

There was a unanimous sense of the Board with all Directors present during the October 19 Special Board Meeting.

Be It Resolved:

That the AOG does not accept the Joint Proposal of the CSC/USAF Foundation and will not make a counter offer at this time.

VOTE: Passed (9 yeas and 1 against)

Director Boisture explained that he voted against the motion due to his concerns over the wording of the motion. In his opinion, the motion as phrased did not provide for any on-going basis for cooperation and communication and could lead to a divided graduate community with regard to the private fund raising roles of the AOG and the USAFA Foundation.

After additional discussion of possible courses of action available to the Board, an additional Motion was offered.

MOTION: Director Dotson moved to accept a previously circulated draft by Vice-Chair Rosenow as the basis for an announcement of the decision not to pursue a formal relationship with the USAFA Foundation at this time. Director Finch seconded the motion.

Whereas:

1. A group of graduates of the United States Air Force Academy has formed and incorporated the USAFA Foundation for the purpose of providing financial support that will enhance the education, training, athletics and experience of cadets and graduates of the United States Air Force Academy, and
2. The Foundation and its directors share with the AOG a common goal and purpose in that regard, and
3. The Foundation has proposed entering into a formal association in which it would assume responsibility for a significant segment of fundraising activities and exercise control over a significant percentage of assets on behalf of the AOG, and
4. A committee of the AOG has worked closely with the Foundation to fully explore the parameters of the Foundation's proposal and the Foundation has been open in sharing information about its structure and development, and
5. Recognizing that the Foundation and its founders are committed to their stated purpose, are currently actively engaged in the development of the Foundation to serve that purpose, and have the full support of the AOG in

that purpose, the development of the Foundation has not yet progressed sufficiently to support the entrance of the AOG into a significant contractual association with it.

It is resolved that:

1. After exercising due diligence consistent with its fiduciary responsibilities and having considered the specifics of the proposal and the present circumstances of the Foundation and the AOG, the Board of Directors of the AOG has determined that the best interests of USAFA and the AOG would best be served not by entering into a contractual relationship with the Foundation at this time, but rather by, where possible, helping the Foundation to develop. And,
2. With time and the opportunity for the development of a more mature Foundation, a contractual relationship may be in the best interests of the AOG and USAFA. To that end, and in recognition of the great potential benefit the Foundation presents to the Academy, the AOG will seek to maintain ongoing liaison, cooperation, and mutual support with the Foundation. And,
3. The AOG remains firmly committed to all facets of the AOG Mission:
 - 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 the Academy's graduates, and promoting camaraderie among them.
 - c. Promoting the Academy's heritage, our common traditions, and the accomplishments of our graduates. And,
4. The AOG will continue to work on its own and in concert with other organizations to raise private funds to support Academy programs.

VOTE: The motion passed unanimously

VIII. Communications with USAFA

The Directors discussed various aspects of AOG communications with the SUPT and other USAFA agencies. It was the sense of the Board that this area needs to be monitored closely and improved where possible to assure that clear communications flow in both directions.

IX. Meeting Recess

The meeting recessed at 1708hrs MDT and was resumed at 0705hrs MDT October 27 2007.

X. Staff Update

The CEO was the only non-board member present. He briefed the Board on the current staffing levels of the AOG.

XI. CEO Succession Planning

The CEO informed the Board of his preference to end his tenure on 15 January 2008. The CEO then departed and the Board considered various aspects of CEO succession planning to develop a smooth transition plan.

MOTION: Director Finch moved to accept the resignation of Jim Shaw effective January 15, 2008. Director Flynn seconded the motion and the Board voted unanimously to accept the proposed resignation date.

The Chairman expressed his concern about having sufficient time available to fulfill the responsibilities of serving as Chair of CEO Search Committee. The Chairman recommended that Director Finch be named to replace him as the Chair of the CEO Search Committee.

MOTION: Vice-Chair Rosenow moved to have Director Finch designated as Chair of the CEO Search Committee. Director Dotson seconded the motion. It passed unanimously.

XII. Minutes for the Closed Session

MOTION: Director Finch moved to release those items listed above for inclusion in the Minutes of the Closed Meeting. Vice-Chair Rosenow seconded the motion and it passed unanimously.

XIII. Adjournment of the Closed Meeting

MOTION: Director Dotson moved to adjourn the closed meeting and move to an open session. Director Gregory seconded the motion and it passed unanimously at 0835hrs MDT.

OPEN SESSION

XIV. Open Session – 0850hrs, October 27, 2007

Board Members Present: Jim Wheeler '64, Chair; Pat Rosenow '76, Vice Chair; Steve Finch '65; Fred Gregory '64; Steve Dotson '63; Marty France '81; Mike Flynn '95, James Sanchez '90, George Van Wagenen, '67

Corporate Officer Present: Michael Banks '92, Secretary

Board Members Absent: Bill Boisture '67, Treasurer; Ed Eberhart '68

AOG Staff Present: Jim Shaw '67, President/CEO; Gary Howe '69, VP Alumni Relations; Leslie Frank, VP Finance/CFO; Teri DeBellis, Executive Assistant, Swamp Fox, Director Alumni Programs & Special Projects, Jimmy Martello '00, Regional Development Director; Jack Mueller '70, Director Information Systems

Others Present: Richard Sexton '60, Class Advisory Senate, President; Wayne Kellenbence '78; Kip Warton '78, Class Advisory Senate; Jon Shaffer '59; Andi Biancur '60; Johnny Whitaker '73; Larry Farris '75, Class Advisory Senate; Will Honea '64; Mike Jensen '84; Charlie Neel '61, Sam Hardage '61 (via teleconference); Randy Cubero '61; Tom Eller '61

XV. Approval of the Agenda

The Chairman suggested some additions to the Proposed Agenda that had been previously posted. Specifically, under Old Business, these reports will be added on [1] Nominating Committee Activity, [2] CEO Succession Topics, and [3] AOG – USAFA Foundation Issues. Director Finch moved to accept the Revised Agenda and Director Flynn seconded. The Agenda was accepted unanimously.

XVI. Review and Approval of Minutes of Meetings

Aug 9, 2007 – Director Dotson moved, Director Gregory seconded and the Board voted unanimously to accept the Minutes without amendments. (Director Flynn Abstained)

Aug 11, 2007 – Director Gregory moved, Director Dotson seconded and the Board voted unanimously to accept the Minutes without amendments.

Sep 11, 2007 - Director Dotson moved, Director Gregory seconded and the Board voted unanimously to accept the Minutes without amendments.

Sep 15, 2007 – Vice-Chair Rosenow moved, Director Gregory seconded and the Board voted unanimously to accept the Minutes without amendments.

Oct 19, 2007 – Director Gregory moved, Director Dotson seconded and the Board voted unanimously to accept the Minutes without amendments.

XVII. Old Business

a) Scheduling of Board Meetings

AOG Vice-President Howe briefed the AOG Staff recommendation to set the Fall (Oct-Dec) Board Meeting during the first weekend of December. This was based on insuring minimal interference with home football games.

Director Dotson expressed concern about the lack of a Board meeting during the summer that might adversely affect the smooth transition between Boards in AOG Election years.

MOTION: Vice-Chair Rosenow moved to accept the revised schedule; it was seconded by Director France. The motion passed unanimously.

The Chairman noted that all advance schedules are open for adjustments as circumstances and AOG needs might dictate. The advantages of having a tentative advance schedule published were noted.

b) Conflict of Interest Statements

Vice-President Howe briefed that all of the Board Member's *Conflict of Interest Statements* had been reviewed and no conflicts were identified.

c) Committee Memberships

MOTION: Director Finch moved and Vice-Chair Rosenow seconded the following changes to AOG Committee memberships:

Alumni Relations – Remove Vice-Chair Rosenow

Finance and Investment – Add Director Sanchez, Jack Fry '67 and Eric Holt, '91.

NOTE: The F&I committee needs to add one more Director to be in compliance with the FMIP.

d) Governance Committee

Vice-Chair Rosenow briefed the Board on the current activities of the Governance Committee (GC). The committee is starting to work on the biennial Bylaws review called for in the AOG Bylaws. The Vice-Chair requested that Committee Chairs and all other Directors review the Bylaws and submit to the GC any changes that they want to propose. The Chairman requested that the GC provide a Bylaws review schedule for Board approval at the February Board meeting.

The Vice-Chair stated that the GC had reviewed the Bylaws at the request of the Chairman and could not identify any restriction on reimbursement of travel costs for Directors. The Chairman polled the members and the sense of the Board was that official travel of Board Members on behalf of the AOG should be reimbursed. The Chairman asked the GC to present a *Director Travel Reimbursement Policy* recommendation during the February Board Meeting.

Director Flynn briefed the Board on some of the technology ideas that the committee has been exploring to facilitate more efficient Board communications.

e) Alumni Relations Committee

Director Finch reiterated the AR Committee goal to improve communications between the Board and the membership.

He then briefed about the addition of Capt. Francis Zavacki (USMC) '64 to the War Memorial and thanked Director Dotson for his efforts in collecting information about the case. Director Finch informed the Board that the review of the War Memorial criteria is still under review by the Graduate War Memorial Subcommittee headed by Director Sanchez and the plan is to have recommendations to the Board for review during the February 2008 meeting.

Director Finch also briefed that the AR Committee is continuing to review the results of the 2006 AOG Member Survey and will identify actionable items for presentation at the next Board meeting.

f) Nominating Committee

Director Gregory presented information about his Committee's efforts to fill the two open appointed Board seats. He will work closely with the Board and Class Senate to have a list of Candidates available by early January 2008. He stated that the Board was looking for members with the following skills:

- Non-Profit & Institutional Development Experience
- Strategic Communication & Public Affairs
- Financial Experience
- Marketing background related to new services and products

g) CEO Search

The Chairman announced that the Board had accommodated Jim Shaw's request for his resignation to be effective January 15, 2008. The Chair thanked the CEO for his long tenure and service to the AOG, the AOG membership, and the Academy. It was also announced that Director Finch will replace the Chair on the CEO Search Committee.

h) Human Resources

Director Dotson briefed some new ideas about CEO Compensation. The HR Committee is developing a performance based compensation system that links future AOG Staff bonuses directly to performance measures.

i) Class Advisory Senate

Dick Sexton, CAS President, discussed the *White Paper* presented to the Directors. He stated that it was a consensus document that was prepared by the CAS. It highlights the current perception of the AOG by the membership. The document was approved by a CAS vote of 34 yes, 1 no, and 3 absent.

(ATTACHMENT)

The Chairman thanked the CAS President for the input and requested that all comments from the Directors be forwarded to Director Finch who is the Board liaison with the CAS.

j) Campaign Steering Committee

MOTION: Director Dotson presented for approval the Draft Motion (see SECTION VII of these Minutes) on partnering with the USAFA Foundation. Director Gregory seconded the motion.

Several of the Board members discussed the process that led to the decision that the AOG could not now enter into a contractual relationship with the USAFA Foundation. The discussion pointed out that the Due Diligence information received from the USAFA Foundation indicated progress on their part, but did not indicate a functionally mature organization. The AOG Board decision was reached unanimously after reviewing the confidential information submitted by the Foundation.

Jack Fry, '67, addressed the Board and expressed his concern that the Resolution could leave a negative impression with the graduates and members. He also asked why the Board would not offer a counter proposal to the USAFA Foundation at this time. Director Dotson stated that the Board could not act as responsible fiduciaries and offer a counter proposal based on the information contained in the confidential Due Diligence documents provided by the USAFA Foundation.

VOTE: The board voted unanimously to adopt the Resolution previously approved in Closed Session.

XVIII. New Business

a) President's Report

1. Financial Report

AOG Vice-President/CFO Frank briefed that the fieldwork for the annual audit had been completed. She expected to have the report available for the Audit Committee by early November. The Audit Committee will be able to present their entire report during the February 2008 meeting.

Director Sanchez read the attached statement from the Treasurer into the record (**ATTACHMENT**).

Director Dotson noted that budget materials were provided too late to give the Directors time to review the detail before being asked to vote and observed that careful evaluation of budget revisions were difficult, if not impossible, without adequate advance notice.

MOTION: Director Dotson moved to accept the revised budget as proposed by the Treasurer with the inclusion of the AOG Staff Christmas bonuses. Director Rosenow seconded the motion and it passed unanimously.

2. Motion on Budget Revisions

Director Dotson presented the following Motion; it was seconded by Director Finch:

Whereas:

The *AOG Financial Management Investment Plan (FMIP)* requires that, before the beginning of each fiscal year, the Board of Directors of the Association of Graduates of the U.S. Air Force Academy adopt an operating budget for that fiscal year.

Resolved:

That any revision of any operating budget, approved by the Board of Directors of the Association of Graduates, of more than \$100,000 for projected revenues, or more than \$100,000 for projected expenses, shall require the approval of the Board of Directors -- before any operational or management actions pursuant to that revision of more than \$100,000 are taken.

Director Dotson based his motion on the idea that, at some point, budget changes become large enough to have strategic consequences. To the extent that they do, he argued, large budget changes, and the operational effects that follow from them, concern the entire Board, which is charged with developing strategy, not just the members of the Finance and Investment Committee.

Director France, in opposing the motion, stated that having the Finance and Investment Committee direct budget changes and consequent changes in operations before they are ratified later by the Board at a meeting of the Board, is a matter of trust. Director Dotson disagreed, saying that Board agreement on large changes to the budget and to their operational effects is a matter of proper role, not trust, in this case the strategic role of the entire Board.

Director Boisture provided the following statement to the Board via e-mail.

“All, I am opposed to the proposed resolution. The FMIP already provides for emergency decisions and then requires that the board approve the actions taken at their next regularly scheduled meeting. That is what has happened in the last quarter and the operating results for the quarter reflect the positive impact of steps we took quickly to limit the reserves that were used in the quarter. The board can now approve or disapprove of those changes at this meeting. I think the proposed change puts the Board too much into the operating process of the Association and adds complexity and delay that is not necessary or effective.”

The Chairman recommended that the motion be referred to the Governance Committee and suggested that the FMIP needs to be reviewed for currency and possible amendments. The motion was referred to the Governance Committee.

3. Board of Visitor Update

The CEO briefed the Board on the recent BOV meeting in Washington, D.C. He stated that much of the meeting was spent discussing ways to improve diversity at the Academy. He offered the BOV the support of the AOG in improving diversity recruiting.

The CEO also provided BOV an update on the Comprehensive Capital Campaign. He briefed that Phase I had been completed with the dedication of the Cemetery Memorial Pavilion, and the initiation of Phase is still being evaluated.

4. Staff Reports

- a. Revenue Ideas – The AOG Staff has identified several possibilities to increase revenue. These ideas are primarily in the areas of advertising revenue and corporate sponsorships. A report is being submitted to the Alumni Relations Committee for review.
- b. Recording and Broadcasting Board Meetings – The A R Committee is reviewing solutions and plans to present several ideas at the February Board meeting.
- c. Access to the Cadet Area – The Staff did not report any progress on this matter. Gary said that he had discussed the matter with the CAS. The plan is to send a report from the AOG Staff to the Alumni Relations Committee before the end of the year.

b) Class of '61 Hotel Project

Tom Eller, '61, presented a detailed report on the proposed hotel project.

The Chairman offered his support for the project and expressed appreciation to the Class of 1961 for sponsoring this effort. It was agreed that any further steps by the AOG Board will

be tabled pending the outcome of the Superintendent's review of the feasibility study. The Class hopes to brief the Supt in the near future.

c) AOG Honor Advisory Committee

Jon Shaffer, '59 presented his views on the most recent changes to the Honor System. He has submitted a Proposed Resolution to the Board suggesting the creation of an AOG Honor Advisory Committee that can work with AOG Board and the Academy on Honor Code issues. Mr. Shaffer acknowledged that this is a very sensitive issue and that all aspects of his proposal must be investigated fully before a final decision can be rendered by the Board.

The Chairman referred the issue to the Alumni Relations Committee and asked for a report during the February 2008 meeting.

XIX. Adjournment

Director Finch moved to adjourn the meeting and Director Gregory seconded the motion. The motion passed unanimously.

ATTACHMENTS:

1. [27 October Board Slides](#)
2. [Class Advisory Senate Cover Letter, Dated October 24, 2007](#)
3. [Class Advisory Senate White Paper, Dated October 24, 2007](#)
4. [Finance & Investment Chairman's Report to the Board, Dated October 26, 2007](#)