

# ASSOCIATION OF GRADUATES

## UNITED STATES AIR FORCE ACADEMY



### BOARD OF DIRECTORS MEETING

November 20-21, 2009

### Meeting Minutes

**Board Members Present:** Terry Storm, '61, Chair; Brian Binn, '72, Vice Chair; '63; Bob Munson, '73, Secretary; Howard Jack Fry, '67, Treasurer; Vic Andrews, '66; Rip Blaisdell, '62; Roger Carleton, '67; Steve Dotson, Mark Rosenow, '03; George Van Wagenen, '67; Jim Wheeler, '64

**Board Members Participating By Phone:** Pat Rosenow, '76; Bill Stealey, '70

**AOG Staff Present:** William 'T' Thompson, '73, President & CEO; Gary Howe, '69, Senior VP; Alton Parrish, CFO; Marty Marcolongo, '88, Vice President for Alumni Relations; Bob McAllister, Managing Director of Communications (*only Friday afternoon*); Jack Mueller, '70, Director of Information Systems; Ruth Reichert, Executive Assistant

**Members and Invited Guests Present:** Dick Sexton, '60, President, Class Advisory Senate; *Friday only:* Jeffrey Mielke, '80; Dick Rauschkolb, '70; Dr. Erv Rokke, '62, President, USAFA Endowment; Mark Hille, '97, Vice President of Development, USAFA Endowment; Maj Michael Drowley, '96, USAFA CAG; Nancy Burns, USAFA, Chief, Development and Alumni Programs; *Saturday only:* Brig. Gen. Dana Born, '83, USAFA Dean of Faculty

- I. Call to Order**

The Chairman, Terry Storm, called the meeting of the Association of Graduates Board of Directors to order at 0800 hrs MST, Friday, 20 November 2009.
- II. Pledge of Allegiance**

Mark Rosenow led the Board in reciting the Pledge of Allegiance
- III. Condolence Letter to Mrs. Carine Sanchez**

Director Storm read a condolence letter that was sent on behalf of the entire Board of Directors to express their sympathy on the loss of former Board member and fellow graduate, James Sanchez, '90.
- IV. Approval of Consent Agenda**

MOTION: Director Andrews moved and Director Carleton seconded to approve the minutes of the Board meeting on August 7-8 and of the Board teleconferences on October 15 and 25.

The motion passed unanimously.

**V. Approve Agenda**

The Chair offered the agenda to the Board for suggested changes; hearing none he declared them approved.

**VI. Committee Reports**

Bylaws Committee

Director Blaisdell had no formal report at present. Director Binn added that Director Mark Rosenow will be a member of the Bylaws Committee and that they will have a representative from the CAS. He went on to say that they will initiate the bi-annual review in January to include informing the membership. Director Blaisdell added that the time frame to get a draft of the Bylaws change to the Board is August – November 2010, before the 2011 election. Director Munson suggested that a practical approach might be to have a draft for consideration by the August Board meeting with final voting for the November meeting with inputs from all.

Nominating Committee

MOTION: Director Binn moved to appoint the Treasurer, Jack Fry, for the position vacated by director Allison Hickey. The motion was seconded by Director Blaisdell.

MOTION: Director Dotson moved to deliberate in closed session stating Bylaws article XII. section 2. a. Director Van Wagenen seconded. The motion failed due to a tie.

MOTION: Director Wheeler moved to reconsider Director Dotson's motion, seconded by Director Dotson. The motion passed 8 to 4.

The Board went into closed session to discuss appointing Jack Fry to the vacant position. The Board returned to open session and immediately considered the open motion.

The Board voted 10 – 2 in favor of appointing Jack Fry as a Director of the Board (Director Dotson was against it and Director Wheeler abstained).

Audit Committee

Director Van Wagenen reported that Greg Papineau, from BiggsKofford will present the audit later in the session. The Form 990 will be briefed to the Board at the February meeting.

Distinguished Graduate Award Committee

Director Carleton briefed on the 31 August preliminary committee meeting with the following committee members in attendance: Dean of Faculty, General Born; Falcon Foundation President, Cubero; AOG Board Director, Carleton; AOG CEO, Thompson and AOG Senior VP, Howe. He also mentioned that former Director Hickey contributed quite a bit to the committee before she resigned. Information on the Distinguished Graduate Award can be seen on page 61 of the September, 2009 edition of Checkpoints magazine. There are 9 nominations so far, and the next meeting will be on 7 December. Director Carleton explained the procedures, the selection of winners, and that the staff is

looking into other ways how to honor the awardees besides the dedication of a pedestal. He also said that the process is well under way and should be done by the end of December. They will continue with selecting two awardees every year.

Finance & Investment Committee

Director Fry began his briefing with the following resolution:

RESOLUTION: to Adopt the Interpretation of Law in reference to UPMIFA (see attachment 2).

Director Fry moved to adopt the above resolution, which had been provided by the auditors as read ahead and had been reviewed by staff and Finance & Investment Committee. The motion was seconded by Director Van Wagenen and passed unanimously.

Director Fry continued with his financial slides (see attachment 3) and recommended two additions to the FMIP.

MOTION: Director Fry moved to add the following to section 1.12. Preservation of Endowment Fund Capital, paragraph 3, after”...*appropriation for expenditure is made.*” Insert: “The Maximum appropriation for expenditure for a given fiscal year is based on the fair market values calculated quarterly up to and including the Jan.-Mar. quarter prior to the fiscal year. “

The motion was seconded by Director Van Wagenen. The motion passed unanimously.

MOTION: Director Fry moved to adopt the paragraph below and add it to FMIP Section 2.4 Guidelines and Investment Policy for insertion before the "*Rebalancing*" paragraph:

“Liquidity Constraint: The overall portfolio (Total Account Including Cash) should have no more than 30% in illiquid assets. Illiquid is defined as the inability to sell the assets within a reasonable time frame. Because of the long-term orientation of the investment pool, assets that have quarterly liquidity are considered liquid. Upon putting in a redemption request for illiquid partnerships, funds expected within the quarter are considered liquid. AOG Staff will keep the Investment Subcommittee informed about liquidity needs from the portfolio. (It is understood that from time to time, liquid assets can temporarily become illiquid, as with mortgages in 2008. In this condition, the 30% limit does not apply on the assumption that the illiquid condition will pass within a reasonable time frame.)”

The motion was seconded by Director Binn.

MOTION: Director Dotson moved to amend the above motion to substitute 25% in this portfolio rather than 30%. The motion was seconded by Director Van Wagenen.

Director Fry pointed out that 30% is a reasonable number; he has done some research and also talked to the very knowledgeable Investment Subcommittee about it.

The Board voted on the amendment as follows: 6 were in favor of the more conservative 25% and 7 supported the 30% as suggested by the Investment Subcommittee.

The motion as presented by Director Fry passed unanimously.

**VII. Audit Presentation by Greg Papineau, BiggsKofford**

Greg Papineau of BiggsKofford, the AOG's independent auditors, explained the financial statements. He briefed the Board on the AOG's financial position, explained the Statement of Activities and Statements of Cash Flows, and answered questions of the Board.

The Audit bottom line: The AOG received an unqualified report on their audit and the financial numbers meet all generally accepted accounting practices.

Chairman Storm thanked Greg Papineau as well as Director Fry and the Finance Committee and also the CEO and CFO for their work.

MOTION: Director Van Wagenen moved to accept the audit as presented. The motion was seconded by Director Wheeler and passed unanimously.

**VIII. Committee Reports – *continued* –**

Nominating Committee

Director Andrews explained that Checkpoints magazine and ZoomieNews will ask the membership to submit names of possible candidates for Board positions. The deadline is at the end of December and the Nominating Committee would appreciate the Directors' input; however, before nominating a possible director, they should talk to them first.

Governance Committee

In accordance with Bylaws section XII. Article 2.a. the Board consented to go into closed session to consider the contract of its CEO.

**IX. CEO Report**

**a. Quarterly Financial Update**

The CEO presented the statements showing the AOG's financial position, and the CFO continued with an explanation of the financial statements together with a detailed management discussion and analysis (see attachment 4b). The CFO emphasized that the auditors' adjustments are not reflected in the statements shown, and he will send out amended statements (attachment 4a).

**b. Monitoring Reports**

The CEO briefed the Board on the following monitoring reports: Executive Limitations: Compensation and Benefits; Programs/Events/Services (see attachments 5a and b). He explained that they are in compliance with the Board requirements.

Director Storm asked how the AOG uses the Mountain States Employers Council (MSEC). The CFO replied that the CFO and the Senior VP have online access and are able to do research; they intend to use the MSEC for salary surveys/comparisons in the future.

In response to a question by Director Wheeler as to where the AOG would like to grow, CEO Thompson replied that he would like to build graduate infrastructure as the AOG has only 31 chapters while West Point has 120 “societies” and the Naval Academy has over 100 graduate chapters and some 70 Class Clubs.

**c. War Memorial**

Senior VP Howe asked the Board for a motion to add

- 1Lt. Joseph D. Helton, '07

to the Graduate War Memorial Wall.

MOTION: The motion was made by Director Mark Rosenow and seconded by Director Fry. The motion passed unanimously.

The Senior VP briefed the Board on the annual Memorial Service and the Next-of-Kin Coffee. He mentioned that one problem with adding names to the Graduate Memorial Wall was the delay incurred with waiting for Board approval and wondered if it could be done electronically. A number of Directors agreed that the non-contentious additions could be handled that way; the Chair asked the Senior VP to come up with a policy for electronic Board approval for additions to the Graduate Memorial Wall.

**d. AOG Operations Update**

The CEO briefed the Board on the following topics:

1. Academy Support

I. Boeing Corporation

Matching Gifts to benefit Ethics and Leadership, Minority Outreach, and Science Technology Engineering Math (STEM)

II. Schulte Memorial Fund

In memory of 1Lt Roslyn “Roz” L. Schulte, '06, this quasi-endowment has been set up by her family to recognize outstanding cadets in regard of character and leadership and to recognize outstanding women lacrosse players.

III. Project 2010 First Gift Program

The Class of 2010 adopted this program which is intended to get graduating classes to give back to the institution.

2. Graduate Support

I. Reunions '59, '64, '69, '74, '79, '84, '89, '99

The CEO told the Board that the AOG handled 8 reunions in 2009 and thanked Marty Marcolongo and his staff for doing an outstanding job with special thanks to Jennifer Ganzler and Tiffani Lusson who were in charge of the reunion coordination and Michele Cowan and her customer service staff.

II. Bowl Game

Depending on what bowl the Air Force Falcons are participating in this season, the AOG will be doing an event as usual.

III. SACC - San Antonio

The CEO explained that the revenue is down since less companies are buying space at the conferences and there are also fewer participants resulting in a decrease in net revenue..

3. Heritage

- I. South East Asia Pavilion '70  
The CEO explained that the timeframe for the completion of the SEA Pavilion will be the end of July. It will be the focal point at the end of the Heritage Trail. Director Stealey would like some input from the Class of '70, and Director Binn would like to see the concept/design. It was agreed that the Board will be shown the Pavilion designs at the February meeting.
- II. Mall of Heroes '64  
The dedication of the Mall of Heroes during the Class of '64 reunion was a great event, and they are already talking about adding plaques next to each statue with more information.
- III. Expansion of the Heritage Trail '60  
During the lunch break the CEO took the Board directors on a tour of the Heritage Trail.

**X. Capital Campaign Final Report**

Director Binn said that the Governance Committee had received lots of inputs for the report on the Capital Campaign which lasted from 2003 until 2008. The committee will look at and focus on the lessons learned and Director Binn will present the report.

Director Munson requested an open report as attachment to the minutes and Director Binn affirmed. They agreed on Director Binn sending the report out as read-ahead material for the next Board meeting.

**XI. Class Advisory Senate Update**

Senate President Sexton discussed the Senate survey that Senator Mishev had done through "Survey Monkey" and which resulted in a grade of "B" (see attachment 6). Some of the challenges facing the Senate are greater representation and the management of the meeting. Senators have complained about listening in for 2 hours and Director Stealey suggested using "Go To Meeting". One of the topics was the interaction with the Board of Directors with questions such as "Does the Board care what the Senate does or is the Senate just wasting its time?" The Senate would like to get an answer from the Board with a recommendation for what the Board expects from the Senate. The Senate cannot make decisions, but the Board can. However, the Senate's input is important nevertheless as it says in the Bylaws (Art. V, Sec. 2): "...The Senate will be consulted by the Board, and will inform the Board on relevant issues." Senate President Sexton asked for the Board's feedback and if it was satisfied with the Senate's work.

Senate President Sexton mentioned the upcoming election of officers for the Senate in January 2010; the volunteers at the moment are Senate President Sexton for another term as president and Gary Dudley as vice president. There are 2 candidates for secretary and 4 candidates for 3 open executive committee slots.

**XII. AOG/USFA Endowment Negotiations Update**

Chairman Storm introduced the USFA Endowment representatives, Lt Gen, Ret, Erv Rokke and Mark Hille, to the Board and announced that this was a historic moment in time. He said that not only the negotiating team deserves thanks, but also everybody who helped to educate the Board.

Director Carleton showed the Board a slide presentation and explained the efforts on both sides; several meetings were held, many hours were spent, and both sides understood the issues and made concessions. In his opinion, Dr. Erv Rokke, USAFA Endowment President, and Mark Hille, USAFA Endowment Vice President of Development, have a true interest in the Air Force Academy and constitute a great representation. Both sides moved quite a bit. It has been a long, hard road.

Director Carleton reviewed the AOG Board guidance to its negotiators: “To serve the best interests of the Air Force Academy, the Board instructs its negotiators to work with the other non-profit organizations that support the mission of the Air Force Academy to move toward the fund raising model that has been most successful for most other major universities and our sister services academies: a fundraising and friendraising organization; formally linked together; strategic direction from a single source; and with common senior management to be agreed to as soon as possible.

The CEO can seek interim agreements that are in accordance with the AOG By Laws, achieve the Board Ends and move toward the interim objective above.

Any such agreement shall not result in:

1. a short or long term loss of service or benefit to the Air Force Academy or
2. transfer or risk to assets, intellectual property, information, and business activities without adequate compensation.”

The Board’s directives to the Negotiating Team were to work towards a solution that benefits all three parties (USAFA, AOG, and Endowment) and to gain enthusiastic support of the entire graduate community.

Director Carleton thanked Senate President Sexton and the Class Advisory Senate for setting the stage with their “Moving Forward” document. He emphasized the Superintendent’s guidance to the AOG (presented at the 7 August Board meeting) to work together for the benefit of the Air Force Academy with job #1 being re-establishing trust.

Director Carleton summarized the contents of the Memorandum of Understanding (Appendix 9). He recommended approving the MOU as presented. Following both the AOG’s and the Endowment’s approval he recommended to develop and implement a communications plan to inform and educate graduates prior to the implementation date; to develop a contract vehicle that defines the MOU; and that the JCC develop an implementation plan for the first 12 months.

Dr. Erv Rokke, President of the USAFA Endowment, said he fully supports his colleagues “T” Thompson, Roger Carleton, and Bob Munson. He told the Board they (*Erv Rokke and Mark Hille*) were not there to sell their (*the Endowment’s*) position and that they had their own Board to worry about. Before the negotiations there was a great lack of trust, no mutual affection, a dismal outlook, and substantial constituencies on the sidelines. The Superintendent asked both organizations to fix this situation. The Academy needs private funding and the MOU will pave the way to regain mutual trust, to show our constituents that the AOG and Endowment are working together and mutually supporting each other, all for the benefit of the Academy.

Mark Hille, Vice President of Development, USAFA Endowment, briefed the AOG Board on the Fundraising Priorities for 2010 including Unrestricted Funding, the Indoor Training Facility, and the Center for Character and Leadership Development. Unrestricted Funding was vital to the mission of the AOG and the Endowment, and to continue the support for Academy programs. The goals for the Annual Fund (unrestricted) are \$1.8 - \$2 million or 800 Sabre Society members in the first year. The approach is to continue the current AOG Annual Fund operation as documented in the AOG FY 2009-2010 business plan. Goals for Major Giving are \$5 - \$8 million, 480 major donors, and 15 key events. The approach is to start with four Major Gift officers with regional assignments. Class Giving goals are \$500,000 - \$1 million; fundraising for the classes of '63, '64, '69, '70, '78, and '79 are already underway. Mark Hille then showed a staffing model, explained the 2010 AOG funding of \$600K, and also presented an Endowment financial snapshot, with GAAP and cash statements.

Dr. Rokke summarized the presentation and said that the objectives of the two organizations were the same – in spirit as well as in print – and opened a question and answer session.

Director Dotson had the first question. He asked Dr. Rokke if there was an appropriate guarantee for funding. Dr. Rokke responded that 12 members of their Board had set aside \$50,000 apiece from the operating fund, in writing, for the purpose of this guarantee.

Director Dotson then asked why only a 1-year guarantee. Dr. Rokke answered that the Endowment believed that a 1-year commitment was sufficient and that as a matter of principle one year was enough. The CEO commented that the 1-year guarantee was a negotiating point arrived at by each side compromising from two different positions. The Endowment felt that no guarantee was necessary because the financial projections in the AOG Budget would substantially provide the funds. The AOG wanted a two year guarantee to match the time period of the agreement. From a practical standpoint only a one year guarantee is needed because it would be quite clear if year two was going to be successful or unsuccessful. In the latter case, the AOG could walk away prior to any significant loss.

Director Blaisdell wondered about the timing of the contract that flows from the MOU. The CEO responded that if the MOU passes then it will be implemented as soon as possible. The contract will be approved by the JCC and would not go to the Board.

Director Binn asked about the long-term personnel vision that had been presented on the screen. Mark Hille said that meeting the vision depended on success of the enterprise. Dr. Rokke added that a development organization to match West Point would have 35 staff and that they would like to get there as fast as they could.

Director Fry asked if improvements were seen, and Mark Hille responded that the real change is the climate change after the MOU is implemented. Donors prefer giving to restricted causes, and the skill of the development officer is to make a portion of it an unrestricted gift.

Senate President Sexton asked Mark Hille to whom they will be accountable to. His answer was that they are accountable to the donors, and of course to all the members who are donors, too. It is their responsibility to steward every donor, no matter the size of the gift.

Director Mark Rosenow pointed to page 5 of the MOU and wanted to know if, in the view of the negotiating parties, this was a legally enforceable contract that would lead to another contract. The CEO answered that with this MOU we are agreeing in principle to its provisions. This MOU would be legally binding with respect to its provisions, understanding that other details (lease details, payment schedule, etc) would be taken care of in a more detailed legal contract. Dr. Rokke agreed with this characterization, saying “we certainly are treating this like a contract”.

Director Wheeler asked what would be the roles of the Boards implementing this MOU. Dr. Rokke said the role of the Boards would hopefully be minimal; the staff can implement the MOU and the Board can do other things. Director Wheeler suggested the Boards could philosophically say yes to this MOU and let the negotiating team refine it. Dr. Rokke stated that this would just delay the process, and that the ‘forcing function’ (the Academy need for funds now) argued against delay. Director Wheeler said that Dr. Rokke showed a sense of urgency when financial targets were essentially the same for the first year. Dr. Rokke affirmed, explaining that if one is serious about fundraising, yes, there is a sense of urgency, and that to exceed the target potential donors had to ‘unzip their purses’.

Director Pat Rosenow (*on the phone*) summarized that it now is clear for all directors that this is a binding commitment, and that everyone could now discuss whether this is a good idea.

Board Chair Storm stated that the agreement was in the best interest for the Academy and the graduate community – a spirit of support for each other’s organization.

Director Fry asked if the Endowment’s Board would be signing the MOU, too, and Dr. Rokke said that he expected the Endowment would be giving a very rapid, positive response.

Director Van Wagenen wanted to know if it wasn’t redundant to add a CFO, a controller, and bookkeepers to the UE staff as that would put an extra burden on unrestricted funds. Mark Hille responded that the only required redundancy was the CFO. CEO Thompson added that Navy handles three non-profits, and so the AOG staff should be able to handle the financials for two non-profits. The only problems right now are the two different fiscal years, and the Endowment needs to close out their fiscal year. If the Endowment changes their fiscal year to align with the AOG’s fiscal year, which is aligned with the Academy’s academic year, then the AOG and Endowment can look at consolidating financial functions. CFO Alton Parrish reported that he had just learned at a conference he attended that the two different fiscal years may not be a problem since the Financial

Edge database the CEO was referring to can run multiple sets of financial books with different fiscal years. Mark Hille declared that they will do what they can to make the financial piece faster, easier, and cheaper for both organizations.

Director Wheeler asked Mark Hille to explain the total raised and how much money was written off from the AOG and transferred to the Endowment. Mark Hille didn't know how much the AOG had written off; CEO Thompson estimated it was around \$4m. Director Wheeler made the point that this transfer inflated their numbers. Mr Hille disagreed. Director Wheeler asked for a comment on General Gould's statement at CORONA that the Endowment was changing their business model. The CEO gave the correct quote "they need to look at their business model" and noted that with this MOU the Endowment's fundraising business is changing as they now will be emphasizing unrestricted gifts.

Director Pat Rosenow asked what they would do if the donor said "I don't want my money to be funneled to the AOG or Endowment," and Mark Hille replied that they handle the donor intent, and they need to focus on individual donors. Director Pat Rosenow said that the approach to the community needs to be different, which Mark Hille affirmed saying that they need to make the case.

Director Van Wagenen wanted to know what the Endowment would contribute to the AOG's database. Mark Hille explained that every gift would be entered and all of the Endowment's work would be documented. Director Binn added that not just the gifts, but contacts, dates, and a whole gamut of other information.

Director Mark Rosenow asked what the outcome would be if they didn't sign the MOU as presented at this meeting. According to Director Binn, the upside for the agreement is that the donors will come off the fence. The CEO remarked that feedback from our contract fundraiser is that the donors want this settled before they will give. Senior VP Howe pointed to two classes who want this to happen: the Classes of '64 and '69. It is a very big issue to get both entities together.

Director Pat Rosenow wanted to know if fundraising was going to be much more efficient beyond what existed prior to the Endowment. Dr. Rokke declined to answer that, except to say that the Endowment will have one focus: to raise money. CEO Thompson said that the AOG and Endowment have the promise of a graduate donation of a sophisticated data mining program that would add considerably to development. Director Rosenow observed that one of the features of the traditional appointed director construct of nonprofit fundraising boards is that those directors are not elected, but are expected to participate in fundraising. He asked if the Endowment Board would be involved in fundraising. Dr Rokke replied that the disadvantage to the other service academies is that the Superintendents can't just go out and pass the cup, there are legal limitations. However, The Endowment can make use of the sophisticated and successful entrepreneurs on the Endowment Board.

Director Wheeler was wondering about the new Athletic Department 501(c)3, and Dr. Rokke explained that they had already started discussions with Dr. Hans Mueh. From his perspective the Athletic 501(c)3 folks could be folded into this enterprise. The CEO added that AFAAA wanted to have representatives at Doolittle Hall, and Director Binn said that it would be reasonable to assume that the Athletic Dept would fold their major fundraising into the Endowment's efforts.

Director Wheeler wanted to know what if the AOG does not take action, and Dr. Rokke responded that they have sufficient confidence that the AOG Board will not allow that to happen. Director Wheeler followed with another question: "What if there are reasonable amendments?" Dr Rokke responded with his view that the MOU is a quality product offered for an up or down vote. Director Pat Rosenow followed by asking if this was the best and final offer and if there was any purpose in the AOG board submitting any amendments. Dr. Rokke stressed that he and Mark Hille had no authority to negotiate or bargain; they were only representatives. He added that he saw no or little flexibility on the part of his organization to go back to the drawing board. CEO Thompson noted that any clarifications are not seen as a counter offer. Mark Hille emphasized that this was not an Endowment offer; this had been negotiated by six people from both entities.

MOTION: Director Dotson moved and Director Van Wagenen seconded, that the Directors go into closed session to discuss the negotiated MOU.

The rationale behind going into closed session was so that everyone could speak freely when evaluating all the factors that impacted this major decision; those opposed felt the membership had a right to the Director's arguments for and/or against the MOU.

The motion passed 7-6 (voting against: Andrews, Fry, Munson, Carleton, Blaisdell, Storm).

The Directors' closed discussion went through the end of the day's session and continued into the morning of 21 November. The topics included the potential benefits versus the risks of entering into this enterprise, guarantees, ongoing and future member and heritage programs, risk mitigation, Director's responsibilities, personnel management, use of intellectual property, oversight, and impact on Academy support. After these discussions the Board moved back into open session.

MOTION: Director Carleton moved, and Director Binn seconded, that the AOG Board of Directors approve the MOU as presented.

The vote was as follows:

Yes (to approve the MOU as presented):

Directors Pat Rosenow, Stealey, Munson, Carleton, Blaisdell, Binn, Fry, Andrews, Storm.

No (against the MOU):

Directors Dotson, Wheeler, Mark Rosenow, Van Wagenen.

The motion passed 9 to 4.

The following Directors offered their opinions on the vote, for the record: Director Pat Rosenow, in voting for the MOU, was influenced by the belief that to disapprove the MOU would result in changed relationships that would significantly degrade the AOG's ability to do its friendraising, heritage, and alumni support jobs. He also had serious reservations about the environment which was driving this MOU to be considered without allowing for reasonable delays and further deliberation. However, he ultimately believed he had no choice other than to vote for the motion because the dangers presented to the AOG by disapproving the MOU were greater than the risks involved in approving it. Director Stealey, in voting for the motion, said he had to depend on the good faith efforts of every grad to try to make this agreement work even with the lack of specific guarantees that a real business arrangement would contain. Director Dotson voted against because the MOU would make the AOG financially vulnerable, believing that it would require the AOG to dismantle its fundraising capability completely without sufficient compensation in the form of clear guarantees of a subsidy to the AOG from the UE over the two years covered by the MOU.

Director Wheeler stated that his opposition to approving the MOU in its present form at this time was based on several concerns. In his opinion the decision before the Board has to be based on good business judgment and trust or distrust of our fellow graduates is not a valid criterion for a responsible decision. This vote has long term implications that have not been adequately addressed and is too important to be made in haste and without accomplishing adequate due diligence. There are environmental factors at play – pressure from the Superintendent, deadlines from the UE, alleged commitments made without Board approval – that have not been adequately explored or explained to the Directors. Further, there has been insufficient legal review accomplished; and there are open questions with possible unintended negative consequences to follow. The Directors seem to be overlooking that they, not the Superintendent or the CSAF, are the fiduciaries of the AOG and will be responsible for outcomes, good and bad. The UE President was open and honest when he told the Board that the role of the UE is 'to raise money only'. We need to believe him and then to balance that against the three part mission of the AOG. In Director Wheeler's opinion, the Board is giving into pressure and fatigue and rationalizing incomplete facts in hopes of structuring a win – win – win outcome without finishing the due diligence process. And, if these reasons are not enough to convince the Board to slow down, the last and most important reason to delay any final decision is that the AOG membership has been bypassed and the AOG Bylaws are being compromised by this unilateral change in the AOG Mission by the Board of Directors. Finally, he does not feel it is inconsistent to support cooperation between the AOG and UE to enhance private fundraising for the Academy and to oppose passage of this MOU at this time.

Director Mark Rosenow could not vote for the MOU because he felt there were Bylaw implications that had not been adequately addressed and had a duty to vote against; he specifically noted a possible conflict in the language between Art. X, para. 1 of the Bylaws and Organizational Structure, para. 2 of the MOU. That said, he hoped his view was not the persuasive one and expressed a belief that the joining of these organizations would ultimately work out for the Academy. Director Andrews wanted to thank the

negotiating team and all the Directors for their thoughtful and often spirited discussion; he voted for this 'imperfect' MOU because it moves the AOG in the right direction. Director Fry voted for the MOU because it is the right decision and borrowed 'this is not the beginning of the end but the end of the beginning' to say that there is more work to do.

Director Binn concluded that there were still a lot of questions, but the Board had to show that it fully supported what had been decided.

After the vote, Director Dotson gave Chairman Storm his letter of resignation. Chairman Storm will propose a replacement to the Nominating Committee to fill the vacancy. Director Pat Rosenow said that the Board needs to thank Director Dotson for his service; the Chair agreed and directed the Secretary to draft a letter for Chairman Storm to sign. Director Munson added that Director Dotson's benefit to this Board, in addition to the work he did, was that he raised issues that forced the directors to think.

### **XIII. Guest Speaker Brig. Gen. Dana H. Born, '83, USAFA Dean of Faculty**

General Born was welcomed and introduced by Chairman Storm. She started with a message from the White House. While being there for a reception regarding "Women in Military", she saw General Norton Schwartz who asked her to pass on to the AOG Board his thank you and genuine appreciation of their efforts to unite the grad community for the good of the Air Force and the Air Force Academy. General Gould had also given her the same message for the AOG Board that morning.

General Born then explained the Dean's office's jobs and responsibilities including educational practices, international programs, scholars programs, etc. She gave an overview of the Academy's research centers and institutes, and how and where the Academy excelled (see attachment 7).

Director Blaisdell asked General Born to please help spread the word that the AOG Board has openings and they would like to see more diversity.

### **XIV. Joint Coordination Committee (JCC)**

MOTION: The AOG representatives of the JCC are Director Munson and CEO Thompson. Their alternates are 1. Director Carleton and 2. Chairman Storm.

Director Blaisdell made the motion and Director Fry seconded.

Director Munson offered, and Director Blaisdell accepted, a friendly amendment to the motion: "The votes of two AOG Board representatives are a prerequisite to JCC decisions on the conduct and execution of the MOU." By including this in the motion, the Board is saying that two of its representatives must vote for a JCC vote to be binding.

Director Wheeler was wondering about the documentation of the meetings, and Director Munson said that written memos would help with continuity and keep the Board informed.

The motion to approve as stated passed unanimously.

There was general agreement that there should be non-voting Board representation at each other's Board meetings. The Chairman recommended having the Chair and the Vice Chair as those representatives. The Board did not feel a motion was necessary for AOG representatives to attend Endowment Board meetings as non-voting guests. Director Munson recommended that the Chair consider including the CEO Thompson as he best can answer operational questions that could arise at an Endowment Board meeting. The CEO stated that the MOU anticipated that the members of the JCC would normally be the Board representatives to each organizations meetings and recommended that the Chair and Vice Chair be alternates. There was agreement to this approach.

**XV. Unscheduled Business**

**a. Schedule for 2010 Meetings**

The Chair asked the Directors to take a look at the Board meeting schedule for the next 12 months; the next Board meeting is planned for February 5-6, 2010. The Directors agreed that the tentative schedule was ok (see attachment 8).

Director Wheeler recommended considering a joint Board meeting at the next scheduled February meeting. The Chairman said that he would talk to the Endowment's Chairman.

**b. Bylaws Task Force**

Director Blaisdell announced that the Bylaws Task Force consists of him (Chair), Directors Binn and Mark Rosenow, and Class Senator Tom Hayden.

**c. Heritage Committee**

Chairman Storm addressed reforming the Heritage Committee and adding a new section to the Policies and Procedures Manual, and Senior VP Howe replied that this can be done at the February meeting. Chairman Storm asked the staff to prepare the wording for the manual for a motion at the next meeting.

**XVI. Closing Comments from the Chair**

The Chairman thanked Director Andrews for setting up the Board dinner at the Garden of the Gods Club. The local Directors picked up half of the tab.

He reminded the Board that the next Board meeting will be February 5-6, 2010.

**XVII. Adjournment**

The meeting adjourned at 1210 hrs (MDT).

Respectfully submitted,

Ruth Reichert, Recorder  
Robert Munson, Secretary

**Attachments:**

Attachment 1: [Board Presentation Slides](#)  
Attachment 2: [Resolution to Adopt the Interpretation of Law re: UPMIFA](#)  
Attachment 3: [Finance and Investment Committee Report](#)

Attachment 4a:	<a href="#"><u>Amended Financial Reports Sept. 2009, Mgmt. Disc. &amp; Analysis</u></a>
Attachment 4b:	<a href="#"><u>Financial Reports Sept. 2009, Mgmt. Discussion &amp; Analysis</u></a>
Attachment 5a:	<a href="#"><u>Monitoring Report 2.8</u></a>
Attachment 5b:	<a href="#"><u>Monitoring Report 2.10</u></a>
Attachment 6:	<a href="#"><u>AOG Class Advisory Senate Survey Assessment Results</u></a>
Attachment 7:	<a href="#"><u>BG Born – Presentation to the AOG Board 20091121</u></a>
Attachment 8:	<a href="#"><u>AOG Board Meeting Calendar</u></a>
Attachment 9:	<a href="#"><u>AOG/Endowment Memorandum of Understanding</u></a>