



**BOARD OF DIRECTORS MEETING**  
**6 May 2011**  
**Approved Meeting Minutes**

**Board Members Present:** Terry Storm, '61, Chair; Brian Binn, '72, Vice Chair; Bob Munson, '73, Secretary; Howard Jack Fry, '67, Treasurer; Vic Andrews, '66; Rip Blaisdell, '62; Roger Carleton, '67; Tom Lockie, '79; Bill Stealey, '70; Mark Rosenow, '03.

**Board Members Participating By Phone:** Pat Rosenow, '76; Jim Wheeler, '64; Steven Beasley, '93; George Van Wagenen, '67.

**Board Members Absent:** Frank Schmuck, '88 (business).

**AOG Staff Present:** William 'T' Thompson, '73, President & CEO; Gary Howe, '69, Executive VP; Alton Parrish, Senior VP for Finance and Chief Financial Officer; Marty Marcolongo, '88, Senior VP for Business Development; Corrie Grubbs, Vice President for Alumni Affairs; Bob McAllister, Senior VP for Communications; Jack Mueller, '70, Director of Information Systems.

**Members and Invited Guests Present:** Ed Montgomery, '59, Class Advisory Senate; Steve Lorenz, '73, President & CEO, USAFA Endowment; Dick Rauschkolb, '70.

**I. Call to Order**

The Chairman, Terry Storm, called the meeting of the Association of Graduates Board of Directors to order at 0900 hrs MDT, Friday, 6 May 2011.

In preface to this meeting, the Chair offered the following personal comments in appreciation to the following: congratulations to the Bylaws Task Force for the overwhelming approval of the Bylaws, to the AOG staff for the extraordinary effort that resulted in exceeding the 25% Bylaws quorum requirement in the membership vote, to the Nominating Committee for providing an outstanding slate of candidates to the membership, and to the new directors and re-elected directors voted into office by the AOG membership. He also thanked the members of the AOG/USAFA Endowment Joint Coordinating Committee, and the departing President & CEO of the USAFA Endowment, LtGen Erv Rokke, for the work that they had done on behalf of both the AOG and Endowment Boards. Finally he thanked the outgoing directors for the work that they had done during their terms of service on this Board.

**MOTION:** Director Munson moved, and Director Carleton seconded, the following motion, Resolved::

The AOG Board of Directors gives its sincere and heartfelt thanks to their departing directors for their selfless service to this Board and especially to the membership of the US Air Force Academy Association of Graduates. These directors: Pat Rosenow, '76;

Bill Stealey, '70; Jim Wheeler, '64; George Van Wagenen, '67, and Tom Lockie, '79; served well in a period of true challenges for this organization. Under their collective leadership the AOG has grown and is now a stronger organization than it has ever been; due, in no small part, to the service of these directors.

The motion passed unanimously.

**II. Moment of Silence & Pledge of Allegiance**

After a Moment of Silence in honor of USAFA's deceased graduates and our nation's servicemen and women in harm's way, Director Mark Rosenow led the Board in reciting the Pledge of Allegiance.

**III. Approval of Consent Agenda**

The Chair pointed out that the consent agenda included the provisional minutes of the Board meeting on February 4, 2011, as well as two motions submitted and passed by the directors in the interval between the last meeting and this meeting. He asked if there were any objections to placing these items in the record. Hearing none, Director Andrews moved, seconded by Director Carleton, to approve the consent agenda as presented. The motion passed unanimously (Atch 1, 2, 3).

**IV. Approval of Agenda**

The Chair offered the agenda to the Board for suggested changes; the Board accepted the agenda as written.

**V. Election Results**

Gary Howe provided a summary of results for the 2011 Elections. There was a quorum of members who submitted ballots, with 27.95% of eligible voters participating. The Bylaws passed with 97.4% in favor. Jack Fry, '67; Kathleen Rock, '98; Bob Munson, '73; Mark Rosenow, '03; Steve Beasley, '93; and Bruce 'Orville' Wright, '73 were elected as directors. (Atch 4)

In terms of voter demographics the older classes participated in much greater numbers than classes that graduated in the last twenty years. By way of example, the 21 classes of 1959-1979 contain only 29% of the eligible members, but cast 55% of the votes, while the 31 classes of 1980-2010 have 71% of eligible members, yet cast only 45% of the votes. (Atch 5)

This election was conducted primarily via electronic means, as compared to previous elections. Survey of all voters showed that the overwhelming majority, 94.9%, were satisfied or very satisfied with the process; and only 1.1% were dissatisfied or very dissatisfied with the voting process. (Atch 6) Notwithstanding, the AOG staff plans on making improvements in preparation for the next election such as having the contractor send out more follow-up emails and improving methods to update members' email addresses.

**VI. Joint Coordinating Committee Report**

Director Carleton summarized the content of the February 18 meeting already provided to the directors and reported on the most recent April 20 meeting. (Atch 7)

At the February 18 meeting the AOG representatives proposed a 'Single Management System (SMS)' composed of three Board level committees: Financial, Strategic Planning, and Audit. The Endowment was supportive of the concept and wanted to continue discussion at the following meeting.

At the April 20th meeting, in the Endowment's opening remarks Bart Holaday announced that Gen Steve Lorenz, '73, would be their President/CEO, and that they were posting solid fundraising results to date: \$2.2M in restricted funds and \$690K in unrestricted funds). Also, they learned that the construction bids for the Center for Character and Leadership Development building exceeded appropriations by as much as \$10M, and barring any contract changes and re-design, the Superintendent was asking the Endowment if it could meet the shortfall. Following that, the Endowment Chair voiced that they wanted to discuss the future level of AOG support and the structure of the unrestricted funds distribution algorithm. In short, the costs of raising unrestricted funds beyond \$1.9M approached or exceeded the revenue they were getting. Their proposal was that unrestricted funds be split evenly between the Endowment and AOG, after deducting the actual costs of raising those funds. After some discussion, the AOG pointed out that the issue would be decided during the follow-on MOU negotiations, but could be a topic for the proposed Joint Finance Committee.

The JCC then addressed the Single Management System, composed of the three aforementioned committees. The Endowment is hesitant about the idea of a Strategic Planning Committee. The AOG's main argument for Strategic Planning was that both organizations had to agree to a common set of goals, and that without such agreement no meaningful discussion on financial priorities could be carried out. The Endowment's objection was that their fundraising objectives were really in response to the needs of the Academy, and thus any such committee was unnecessary. After a bit of discussion no agreement was reached. The Endowment and AOG then agreed quickly on the benefit of a Joint Finance Committee. There was consensus that the committee should include Board Treasurers, President/CEOs, CFOs, and one other director from each organization. There was also consensus that the committee would have full access to both organizations' budgets, and that it would make recommendations to both Boards. The final topic was on the Athletic Department 501(c)(3). Col Rank reported that SAF General Counsel had not accepted the Academy's proposed Board structure as it included members of the USAFA Endowment, which was judged to pose a conflict of interest. The Academy thus was in the process of drafting and presenting another proposal for that Board. The AOG then strongly recommended that the Academy include both AOG and Endowment representatives as non-voting ex-officio members on the Athletic Department 501(c)(3) Board of Directors, as fundraising success depended on the support and cooperation of both organizations. Col Rank agreed to take that recommendation to the Superintendent.

To Director Stealey's question, Roger Carleton affirmed that the Endowment has stated that their cost of raising further unrestricted funds was about 30%; thus they had little incentive to expand the amount raised. However, the Endowment realizes that they need unrestricted funds to expand fundraising operations, and thus they want to negotiate a new algorithm for dividing these monies. President & CEO Thompson pointed out that the Endowment's need for unrestricted funds was understandable as this was the model needed to grow fundraising. He also noted that West Point allocates 15% of its restricted donations to offset expenses and Navy uses 15%-25% of its restricted donations. Also there was concern that the Endowment might seek to decrease the amount of unrestricted money that would flow to the AOG from the MOU; AOG President & CEO Thompson pointed out that the current \$600k/year was a compromise amount and was less than the historical average of approximately \$718k that the AOG had received from the Annual Fund over the last eight years. He suggested that this \$600k be considered a baseline amount. President/CEO Thompson pointed out that despite some internal current disagreements between the organizations, the graduate community viewed the partnership as working and thus they were now contributing.

A number of directors, at various points, expressed concerns about the lack of a real working strategic planning function for fundraising goals between the Academy and the organizations that support the Academy. Many were also concerned that the Endowment did not see the need to agree on, or align, goals for this partnership through a Strategic Planning Committee. Director Binn thought the Strategic Planning Committee was more important than a Financial Committee. Director Stealey pointed out that there would continue to be conflict as long as the missions of the two organizations differ. Director Munson, however, was of the opinion that the Joint Financial Committee would address aligning goals as that would be a pre-requisite to making any financial recommendations to the Boards.

Director Lockie raised the concern that grads saw that fundraising appeared to come from the AOG as the Endowment's appeals figured prominently in AOG media. President & CEO Thompson agreed that grads generally had that impression, but that this confusion would likely continue as long as the two organizations shared the same address and the Endowment continued to advertise (as they did prior to the MOU) in Checkpoints and ZoomiEnews. Director Lockie added that it appeared to grads that the AOG was 'picking up the pace' of fundraising and wondered if it would be worthwhile to increase education to the contrary. To this President & CEO Thompson responded that it would be better to educate grads that fundraising and friend-raising are inextricably intertwined. Director Munson felt that it was important that all graduates understand that both organizations to be partnered in fundraising, Director Andrews pointed out that that the MOU stipulated that both organizations 'co-brand' both friend-raising and fundraising, Director Mark Rosenow added that this would be a bad time to appear to separate from the Endowment as it could jeopardize upcoming negotiations.

Director Wheeler, noting that the JCC had recommended both organizations have ex-officio members on the Athletic Association 501(c)(3), asked about the same idea for the AOG and Endowment and to have a joint board meeting. Chairman Storm responded

that these were possible, and that he was working on aligning our fall meeting with the Endowment's and having a joint social evening.

## **VII. Committee Updates**

### **A. Governance Committee**

#### **1. 2011 Elections**

Governance Chair Binn thanked the Bylaws Committee for its work and reminded all that the new Bylaws have been certified by the Secretary and are in effect now. He also pointed out that the Board will change directors at the August meeting, which was what the Bylaws intended as the transition for this election only.

#### **2. Board Strategic Plan**

Every Director has a copy of Director Lockie's Board Strategic Plan in their folders which needs to be taken home and reviewed by all. He asked that the directors provide inputs to the Governance Committee by 30 June. (Atch 8)

### **B. Nominating Committee**

Director Andrews noted that the Board has three slots for appointed directors, two four-year and one two-year (Beasley's current unexpired appointment). The Bylaws do not mandate that the Board fill every slot. All candidates for director were polled and indicated an interest in serving in this capacity. Director Stealey, noting that the Board was dominated by retired military, asked that the Board consider appointing someone who made a career outside the military. Director Munson asked the Board to consider that one of this Board's shortfalls is that it lacks senior officers and influential people that speak the language of their counterparts on the Endowment Board and those still in service. Director Binn noted that that had been done in the past, and Director Andrews added that those directors had left the Board with ill feelings toward the AOG. Director Munson acknowledged that, but said conditions have changed and there may be an opportunity now.

### **C. Audit Committee**

Director Van Wagenen referred the Board to his email that provided the following information: The contract with our audit firm, BiggsKofford, has ended. Requests for proposal were sent to six firms in the local area, including our current auditor, that have demonstrated a significant track record in nonprofit audits and tax advice. Of the six, one declined to respond and two were eliminated based on the merits of their proposal.

Additionally, the following conditions were recognized:

1. A substantial base of corporate knowledge helps auditors make sound judgments regarding complex issues such as the relationship with the UE.
2. Changing the audit firm would cause a substantial increase in costs because of the steep learning curve.
3. Changing the supervising partner provides a way to freshen the viewpoint without increasing the costs.

As a result, the audit committee recommends the retention of BiggsKofford as the AOG's auditor and tax advisor.

MOTION: Director Van Wagenen moved, and Director Fry seconded, that BiggsKofford be retained as auditor and tax advisor for a three-year contract. The motion passed unanimously.

#### **D. Finance & Investment Committee**

Director Fry reported that the Committee had reviewed the AOG's 2012 operating budget, had their questions answered, and the Committee now recommends that the Board approve the budget (Atch 9). He noted that the budget includes a spreadsheet that connects spending to the Board's Ends in the policy manual. This year's budget projects 14% less income into the organization from investments. It assumes that the Endowment will continue to distribute unrestricted funds to the AOG at the current \$600k level. The budget is expressed in both GAAP and cash terms. Director Stealey wanted to make sure the Board understood that the AOG still relies on investment returns of about \$800k to fund operations. Director Fry agreed and said that he hoped that this would change in the future; he hoped that the AOG would be able to decrease the current draw on investments of 5.6% to a lower level. On a positive note, he pointed out that the newly created Operational Reserve now has over \$500k in it and that if the market continues to improve the Life Membership fund may spin off enough return this year to bring the reserve up to its goal of \$1M (four years ahead of schedule).

MOTION: Director Fry moved, and Director Stealey seconded, that the Board approve the 2012 Operating Budget (Atch 9). The motion passed unanimously.

#### **F. Heritage & Traditions Committee**

Director Andrews reported that the Class of 1963, as part of a Class Histories project for their 50<sup>th</sup> reunion, is setting up a website that will have information on each class' history and heritage. The AOG has been facilitating this endeavor, but the Academy was unable to support or accept this project as a gift to the Academy. President & CEO Thompson said that the AOG was interested in some parts of the project, but that the AOG did not have the resources to pay for this. Another problem was that the website's information would be populated by a number of sources and so there was a control problem as well. However, again, the AOG is interested in some aspects and is still working with the Class of 1963 on this.

Executive VP Howe informed the Board that Maj David Brodeur, '99, and LtCol Frank Bryant, '95, would have their names included on the Graduate War Memorial. LtCol Bryant and Maj Brodeur were serving on a NATO team training the Afghan Air Force in support of Operation Enduring Freedom. They were killed, along with five other US servicemen and a contract worker, by an Afghan military officer during a meeting in Kabul on April 27, 2011. The Board had no objections.

#### **A. Distinguished Graduate Committee**

Director Carleton offered the following report:

1. Max James, '64, and Gen (ret) Ed Eberhart, '68, were honored at the well-attended Founder's Day dinner on 1 April.
2. The Committee met and agreed on the following:
  - a. Keep the Committee at five voting members, but invite the CMA (currently Nancy Burns) as a non-voting member.
  - b. Proceed with a "50<sup>th</sup> Class Award – A Lifetime Achievement to Core Values." Selection and nomination criteria have been drafted, and the award will be jointly bestowed by the Class and the AOG. The Class of '61 will be the first class to do this, with '59 and '60 doing their honors retrospectively.
  - c. The Committee will revise and clarify the DG criteria for 2012.

### **VIII. Class Advisory Senate Update**

Senator Ed Montgomery, '59, reported that LtGen Gould spoke at the last CAS meeting and updated the Senators on current topics. Of note, he reported that a review of the Honor Code, accomplished by a team headed by LtGen (ret) Marcus Anderson, '61, concluded "Don't Change it." The Senate is working on a third 'Moving Forward' white paper to present to the BOD. Senator Montgomery was impressed that LtGen Gould took the time to attend the CAS meeting which he attributed to the General's personality as well as the conduct of the Board of Directors, which has resulted in good relations between the Academy and the AOG.

### **IX. CEO Report**

#### **A. Quarterly Financial Update**

CFO Alton Parrish presented the quarterly financial statements 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, together with a detailed management discussion and analysis that contains an explanation of all significant line items. The current investment portfolio is \$28.554M, which is up from the June 2009 value of \$22.466M near the market nadir. The total assets of the AOG were \$35.920M in June of 2009 and, despite the transfer out of some \$6M in Moller fund money, the investment growth has kept our total assets at the 2009 value. Along with reclassification of Life Membership funds identified by our auditors, the total unrestricted funds have grown from \$5.4M to the current \$10.5M. The investment positions remain within the range bands set up by the FMIP and monitored by the Investment Subcommittee. The financial statements and comments CFO Parrish provided are at Atch 10.

#### **B. CEO Monitoring Report: Policy 2.1, 2.3, 2.9**

The CEO briefed the Board on the following monitoring reports: Treatment of Members and other Constituents, Financial Planning and Budget, Board Awareness and Support. The CEO is in compliance with all of the Board's Executive Limitations (Atch 11).

#### **C. AOG Operations Update: 2011 AOG Plan**

President & CEO Thompson asked his VPs to provide their goals for the next year based on the AOG's 2011-2015 Strategic Plan. The goals were categorized into five Strategic Focus Areas and summarized the highlights as follows:

1. **Member Engagement:** Add 6 chapters and 18 ambassadors and hold the first Chapter President meeting this fall. Increase participation in the LMAG program to 75%. Increase participation in SACC, develop an electronic career service platform. Increase affinity groups from 3 to 12, roll out an affinity handbook and develop a strategy to link InCircle with Facebook and LinkedIn. Execute a 50-year Class Award and start a Half Century Club. Work with the Endowment to fund heritage programs and complete a development plan for the Heritage Trail.
2. **Communications:** Develop better integration and communication with the USAF Academy, and improve 'branding' in the cadet areas. Roll out a new website, develop an on-line Checkpoints, and increase advertising revenue.
3. **Academy/Cadet Connection:** Re-create the graduate member/cadet mentor program, institute the AOG/cadet class officer relationship, and set up an active Fairchild Hall AOG exhibit.
4. **External Outreach:** Roll out the True Blue program to attract local business participation. Identify and cultivate civic and military partners.
5. **Financial Sustainment:** Increase revenue by 15%, develop new sponsorships, add up-scale products for graduate purchase, grow the 'First Gift' model with the Endowment, grow the Strategic Reserve to \$700k, retool the LMAG program, and have 200 paid for meetings in Doolittle Hall.

#### **D. Graduate Dependent Scholarships**

Executive VP Howe reported that 21 scholarships of \$500 were awarded this year from a pool of 92 applicants. To be eligible candidates must be children of a parent who has been a graduate member for the last five consecutive years or a life member of the AOG. The committee of graduates from the classes of 1976, 1983, and 1995 independently evaluated and ranked the submissions. The last 2 students tied, and so the committee awarded an extra scholarship beyond the usual 20 annual scholarships.

#### **X. Guest Speaker: Gen (ret) Stephen R Lorenz, '73, President/CEO USAFA Endowment**

Gen Lorenz opened by saying that he wanted to attend the Air Force Academy since he was 9 years old, he was lucky to attend and graduate, he was then able to serve for 37 wonderful years in the Air Force, and he now believes it's payback time for this institution, because the Academy made him what he is. He's been a member of the AOG since 1973 and a lifetime member since 1977 when his wife paid \$200 for a lifetime membership. Gen Lorenz then noted he was well aware of the history of the Endowment and the AOG and added that he spent four years as AF Director of Budget where he worked with disparate well-intentioned groups gathered in a room to discuss financial issues. Gen Lorenz emphasized that "I" and "me" should not be in our vocabulary; "we" are going to do this together. There are 42,800 graduates, of which 26,000 are AOG members, and not all of them are connected to the Academy though they should be; friendraising is how we make that connection. To the point of funding priorities, the government should pay for those things that are inherently the government's

responsibility, while funds raised privately should be devoted to providing ‘that margin of excellence’ for which government funds cannot or will not be appropriated. He has the experience to ‘wirebrush’ requests for funding to ensure that people and institutions pay for what they should be paying. There has to be a process by which requirements are identified, priorities ‘racked and stacked,’ champions identified, and decisions made. Gen Lorenz noted that one challenge is that while the Academy has a corporate structure, there is no external face for the multiple fundraising organizations. His goal is to move forward, inch by inch, to have an umbrella organization under which all organizations that support the Academy are talking all the time. As a start Gen Lorenz intends to invite the heads of all the 501(c)(3) organizations that support the Academy and cadets to get together to discuss their issues. He acknowledged that the AOG and Endowment Boards have already moved the ball down the field; all he’s going to do is continue in the same direction.

To the issue of whether responding to the Superintendent’s request for private funds to supplement the MilCon funds for the Center for Character and Leadership Development, Gen Lorenz agreed that this was something the government could pay for. However, he pointed out that there were a number of arguments for supporting that request. First, it is the number one Academy priority. Second, there is \$27M of government money on the table that could be lost if supplemental funds are not raised. Third, there are donors who want to donate toward the CCLD, and we cannot ignore their wish to target their donations toward that end. Finally, this building is a unifying force, it is iconic in structure, and it is about character.

In his conclusion, Gen Lorenz asked if anyone disagreed that he was hired to raise money and that in this rising tide all boats should rise. As long as the money goes to improve the Academy, that’s a righteous cause. Though we may have differences, the people involved in both organizations are smart, and more importantly they all care. “We’re going to do this as a team.”

## **XI. Unscheduled Business**

### **A. Building Naming**

At the request of Director Lockie, the Board discussed how Academy buildings are named. The Academy has a policy on naming buildings. In the past, buildings funded by the government have been generally named for historical figures. Names for donor-built structures can be named for the donor as was the case with the Holaday Athletic Center, which went to the Air Force for approval, and which is a common practice with the other Academies.

### **B. Virtual Flight Academy**

Chairman Storm reported that the Falcon Foundation had just received a briefing on this concept which is undergoing proof of concept at an ROTC unit in San Diego, Wentworth Academy, and a Civil Air Patrol unit. This involves retired military pilots teaching flying to UPT candidates on a virtual platform.

### **C. Board Officer and Committee Memberships**

Chairman Storm passed out 'sign-up' sheets with Board positions; he wants all directors to sign up for positions they are volunteering for, rank order their requests, and return them to him not later than 1 July.

**D. Joint Finance Committee Composition**

MOTION: Director Munson moved, and Director Carleton seconded, the following:  
The AOG Board of Directors agrees to form a Joint Finance Committee with the USAFA Endowment for the purpose of making financial recommendations to both Boards of Directors on issues of interest to both organizations. The composition of this Joint Finance Committee will be agreed to by both organizations; initially both organizations will provide their President/CEO, Chief Financial Officer, Board Treasurer, and one other director. The AOG Board Chairman will nominate a director and one alternate for Board approval.

The motion passed unanimously.

MOTION: Director Munson moved, and Director Andrews seconded, that the AOG provide the following as AOG representatives to the AOG/Endowment Joint Finance Committee: Board Treasurer Jack Fry, Director Roger Carleton, President & CEO 'T' Thompson, and CFO Alton Parrish. The alternate will be named later.

The motion passed unanimously.

Director Munson recommended that the Board consider re-confirming its negotiating team that developed the present MOU. The reason is that there was preparatory work to be done prior to the August Board meeting with the Endowment to include scheduling and developing proposals for the follow-on MOU. Director Blaisdell asked if the MOU was going to be changed; Director Munson replied that the Endowment wished to continue with the current MOU with perhaps a supplement. The AOG representatives did not necessarily disagree with that, but as Director Carleton reported earlier we may want to suggest some changes in the current MOU. That work might be done in the next three months. The Chair asked if there were any objections to continuing with the current Board approved negotiating team, and there were none.

**XII. Adjournment**

The Chair thanked the Board directors, AOG staff, and Senate representative for their efforts. The Board will next meet on August 12, 2011, with a new Board member training session planned for the day prior on August 11, 2011. The meeting adjourned at 1545 hours (MDT).

**NOTE:** Some minutes have been rearranged from time sequence into topical sequence.

Respectfully submitted,

Robert Munson, Secretary

Attachments:

1. BOD Meeting Minutes, February 4, 2011
2. Electronic Motion results, February 8, 2011, CEO Signature authority approval
3. Electronic Motion results, March 27, 2011, AOG Heritage Preservation Fund approval
4. 2011 Election results
5. 2011 Election demographics
6. 2011 Election satisfaction survey
7. JCC meeting report, April 20, 2011
8. Draft Board Strategic Plan
9. 2011 AOG Budget
10. Quarterly Financial Report, Mar 2011
11. CEO Monitoring Report: Policies 2.1, 2.3, 2.9