



BOARD OF DIRECTORS MEETING
1 May 2015 APPROVED
Meeting Minutes

Board Members Present: Roger Carleton,'67, Chair; Vic Andrews,'66, Vice Chair; Robert Munson'73; Secretary; Jack Fry,'67, Treasurer; Mike Torreano,'70; Drew Miller,'80; Cathy McClain, '82; Tamra Rank,'83; Wally Moorhead, '69; Steve Mueller,'79; Larry New,'76; Will Gunn,'80; Mark Rosenow, '03; Garry Dudley,'68, President, Class Advisory Senate.

Board Members Attending via Teleconference: Kathleen Rock,'98.

Board Members not present: Larry Fariss,'75; William Looney,'72.

AOG Staff Present: William 'T' Thompson, '73, President & CEO; Gary Howe, '69, Exec. Vice-President, Alton Parrish, CFO and Senior Vice President for Finance; Marty Marcolongo, '88, Senior Vice President for Business Operations; Bob McAllister, Senior VP for Communications; Corrie Grubbs, Vice President for Corporate & Association Relations; Jack Mueller, Director of Information Systems; Emma Ross, Executive Assistant; Amanda Hess, AOG History and Heritage Projects Officer.

Members and Guests Present: Lt Gen Michelle D. Johnson'81, Superintendent USAFA; Jim Knowlton, Director of Athletics; Gen (Ret) Stephen Lorenz, '73, President, USAFA Endowment; Brian Binn,'72 USAFA Chief, Development and Alumni Affairs; Terry Storm'61; Maj Jason Harris'01; Gen (Ret) Ron Yates.

I. Call to Order

Chairman Carleton called the meeting to order at 0830 hours MDT, Friday, 1 May 2015. He welcomed the newly elected and appointed Directors to their first Board meetings. Each member of the Board, old and new, and members of the staff introduced themselves.

II. Election of New Board Chair

Governance Chair Andrews asked if there were any nominations besides that for Chairman Carleton. There were none.

MOTION: Director Andrews moved, and Director Fry seconded, that the Board approve Chairman Carleton to continue his chairmanship for two more years. The motion passed unanimously.

III. Approve Agenda

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

IV. Consent Agenda Approval

MOTION: Director Roger Carleton moved, and Director Jack Fry seconded, that the Board approve the meeting minutes for 6 February 2015 (Atch 1). The motion passed unanimously.

V. Approval of the Board Officers and Committee Chairs.

Chairman Carleton briefed his recommendations, and rationale for appointments, for the Board officer and Committee assignments (Atch 2)

1. Vice Chair: Vic Andrews
2. Treasurer: Jack Fry
3. Secretary: Bob Munson (non-Director)
4. Governance: Vic Andrews (Chair), Cathy McClain, Mark Rosenow, Mike Torreano, Larry New (alt), Steve Mueller (alt)
5. Audit: Mike Torreano (Chair), Larry Fariss, Drew Miller
6. Nominating: Larry New (Chair), Tamra Rank, Bill Looney (alt), Will Gunn (alt), Garry Dudley (alt), Kathleen Rock (alt)
7. Heritage and Traditions: Steve Mueller (Chair), Mike Torreano, Bill Looney, Wall Moorhead, Garry Dudley
8. Finance and Investment: Jack Fry (Chair), Kathleen Rock, Will Gunn, Drew Miller, Tamra Rank (alt)
9. Distinguished Graduate Award: Cathy McClain (Chair), Bill Looney (alt)
10. Awards: Kathleen Rock (Chair), Steve Mueller, Drew Miller
11. Athletic Liaison Task Force: Wally Moorhead, Larry Fariss
12. CEO Compensation Task Force: Vic Andrews, Mark Rosenow, Cathy McClain, Larry Fariss
13. AOG/UE MOU Joint Coordinating Committee: Roger Carleton, Vic Andrews, Tamra Rank, Wally Moorhead (alt), T. Thompson (Observer, non-voting)
14. AOG/UE MOU Joint Finance Committee: Jack Fry, Will Gunn (alt)

The motion passed unanimously.

VI. Committee Reports

1. Finance and Investment

1. Investment advisors Rich Abramson and Rod Hennick provided a report on AOG investment picture to include historical performance (Atch 3). A key point was that to preserve capital while drawing 3.5% of the funds for operations the overall growth would have to be 7.18% at a minimum, given current inflation rate of 2.1%, AOG cost of .75%, and investment costs of .83%. With current returns on fixed rate investments, bonds, and equities all below that level, it will not be likely that capital preservation will be possible. Director Torreano felt that the AOG was over-exposed in aggressive investments; Rich Abramson responded that even increasing bond holdings to 30% would not reduce risk to any great extent.

2. Treasury Chair Fry briefed the AOG's FY 2016 year's budget and recommended Board approval (Atch 4). Director Rosenow asked if the Bennett estate funds would make a difference in the budget. Director Fry responded that the Bennett money was already put onto the books and its only effect was to raise the investment pool on the books. CFO Parrish added that, depending on what Board decides, if a huge amount of the estate does not come to the AOG it would affect our plans as we put in income on the expectation that some investment returns would change. The AOG staff anticipated that all the money will be a part of the AOG portfolio; if the Board decides to give a large part of it away, then it would make a difference.
MOTION: Director Torreano moved, and Director McLain seconded that the Board approve the proposed budget. The motion passed unanimously.

3. CEO Thompson briefed the Board that the AOG currently had \$8.4M of unrestricted/undesignated funds on its books, and he recommended that the Board consider transferring/reclassifying \$3M of those funds to the Long Blue Line Endowment, AOG Reserve, AOG Heritage Preservation Fund and the Graduate Dependent Scholarship Fund.

MOTION: Treasury Chair Fry moved, and Director Rosenow seconded, that \$3M of current AOG unrestricted/undesignated funds be reclassified to the following funds: LBLE: \$2M, AOG Reserve: \$500K, AOG Heritage reservation fund: \$250K, and Graduate Dependent Scholarships: \$250K. This would be a purchase of securities for the AOG Reserves. The motion was approved unanimously.

4. Treasury Chair Fry asked the Board to continue a previous Board discussion on reviewing restricted funds to look at whether each fund's purpose still exists, or whether the restricted funds can be better used in other places, etc. Such a review would take work from CFO Parrish and staff, and also take work from Board members. Director Torreano

reminded the Board that this involves AOG monies, not Board monies and that the Board is getting into the CEO's responsibilities. Director Torreano was uncomfortable with this committee launching into an AOG area of responsibility USAFA/CMA. Director Rock voiced support that a review can and needs to be done; she felt frustrated that the Board was having this conversation again and that the CEO hadn't taken steps to move this ball forward. USAFA/CMA representative Binn added that the Academy is in favor of reviewing the funds; there are funds that spin off 3.5% that we don't know what to do with because there are target programs that don't exist or have changed. CEO Thompson said that his staff did this six years ago and identified funds. The AOG does have funds that aren't being used, e.g. the Nutter fund, but because of unique restrictions the target activities want the funds to sit. There are some funds that might cost money to close because we'd have to go to the state attorney's office to sunset them and close them out. However the Board's funds and un-documented funds are few in number. The CEO offered to re-do a review; the CFO said it would take quite a bit of work; VP Grubbs has been reviewing funds already as part of her stewardship responsibility. But the best way is for staff to do it in consult with CMA and the Finance Committee and can be done by December Board. There were no objections to this.

B. Governance Committee

1. Motion to Support Fund Raising

MOTION: Director McClain moved, and Director Andrews seconded, that the proposed motion dealing with Ends and Executive Limitations policy changes tabled at the 6 Feb 2015 meeting, now be taken off the table for consideration by the Board. The motion passed unanimously.

Chairman Carleton, by way of explanation, noted that the motions were offered by Directors Munson and Chilton at the last meeting, and then were tabled to allow him to get an input from the Endowment Board Chair. He had done so and related that there would be some members of the Endowment Board who would object to the AOG becoming involved in fund raising even when done under the supervision of the Endowment CEO; the Endowment Board Chair thus preferred that the AOG wait on moving forward on the motion. Director McClain felt that these motions should not affect the organizations' relationship and that these policy changes were important for the Board to move forward on its vision. In the short discussion that followed the AOG Directors felt that the AOG intent was to provide more support for the Endowment in order to raise more donations for the AOG. The motion passed unanimously.

Neither of the original sponsors are currently Directors, so the two related motions are now sponsored by Director McClain and the Board's discussion involved them both. Director Andrews announced his support as the AOG got out of the business of fund raising in the first two MOUs, but the third MOU allows the AOG to participate and Endowment CEO Lorenz has voiced his need for support in fundraising. CEO Thompson was concerned that it was not clear as to what he would need to do under the Executive Limitation; Director McClain responded that it would move him to be proactive. Director Miller added that the Board would be reasonable in interpretation. But the CEO was still concerned that the wording was not clear. To Director Mueller's question on the budgetary impact, the CEO noted that it may compel the AOG to spend funds better used elsewhere. Director Andrews asked how the wording might be improved, and Director McClain agreed to consider 'friendly amendments'. In the subsequent discussion a number of Directors (Andrews, Torreano, New, etc.) provided wording/format changes that were considered favorably by Director McClain.

MOTION: Director McClain moved, and Director Miller seconded, that a second statement be added to the end of the Policy 1.0 Ends statement, so that it reads:

ENDS: The AOG is the premier support organization for the Academy and its graduates, promoting continued and increased interest in, support of and dedication to the mission, ideals, objectives, activities and heritage of the Academy. AOG members and friends enjoy a wide range of AOG service benefits, which are supported by dues, business and fund-raising opportunities.

MOTION: Director McClain moved, and Director Andrews seconded, that Executive Limitation 2.13 is amended to read as follows:

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

- a) Consider the business and fund-raising opportunities that arise from this agreement.
- b) Proactively support USAFA Endowment fund-raising activities that will directly benefit the AOG.

Both motions were approved unanimously

5. Motion to approve Edition 2 of Governance Policies Director McClain asked the Board to accept an updated Board Policy Manual that incorporated all the changes approved by the Board since the

manual was first approved in 2008, and would include the changes approved at this meeting.

MOTION: Director McLain moves, and Director Torreano seconds, that the Board approve Edition 2 of the Policy manual. The motion passed unanimously.

VII. Staff Report

1. Quarterly Financial Update
Senior Vice President for Finance and CFO Alton Parrish presented the quarterly financial report showing the AOG's financial position as of March 31, 2015 (Atch 5). He noted that "Assets held in trust" reflects Bennett trust monies. Director Andrews asked why is social activities income down. VP Marcolongo explained that base access procedures are a limitation now (visitors are required background checks, etc.) so non-DOD cardholders have a harder time getting onto base, and that's driving down business like weddings/meetings away.
2. CEO Monitoring Report: Policies 2.1, 2.3, 2.9 (Atch 6)
CEO reported he was in compliance with all of the above.
3. Operations Plan AOG 2016-2018
CEO Thompson gave the board a synopsis of the AOG Operating Plan (Atch 7) that detailed discussed four focus areas for 2016-2018: Constituent Engagement, Membership Services and Acquisition, History and Heritage, and Financial Improvements. 90% of the objectives of the last five year plan were executed and/or met. He explained how the staff formulated this new Ops plan to implement the Board's Ends. He reminded the Board that the Ops plan is FYI, not for approval. He then provided details in four areas:
 1. Constituent engagement: Chapters and Ambassadors, Parents Clubs, Affinity Groups, Liaison Officers, Graduates, Alumni non-grads, Parents/families, and Cadets are addressed.
 2. Membership Services and Acquisition: Membership Services Awareness, Graduate Career Services, Reunions, Gift Shop, Checkpoints, Web Site, Social Media, Events.
 3. History and Heritage: recognizing that heritage committee is a board function: Develop plan for Heritage Trail, recommend Board Policies, Collection and Presentation of heritage materiel/gifts, Feasibility of a Museum
 4. Finance/HR/Infrastructure: Finance, Human Relations, Infrastructure

EVP Howe pointed out that everything the AOG does touches/goes into communications; the communications folks are embedding in everything. T added that everything the AOG does is intertwined and related to each other. CEO recommended that the entire Board take the time to read the AOG Operations Plan, and provide feedback.

Director Torreano commended the AOG for moving forward aggressively to capture our heritage for future generations. Director New asked what the Academy has done for heritage, USAFA/CMS representative Binn pointed out that cadet in processing starts at Doolittle Hall and that the new arrivals get taken through the Trail. Terry Storm asked T to update Board on reunions policies. EVP Howe put together a committee of older grads to get feedback on reunions; the committee made recommendations, most of which were accepted. AOG policy is that we will do whatever graduates want, when possible. The AOG has looked at doing one reunion for groups of older/younger classes. USAFA/CMA Binn pointed out that there is a significant amount of staff time for briefing/supporting reunions and that Harmon Hall would prefer to not add more reunion weekends.

4. AOG Risk Assessment Analysis

CFO Parrish, in response to Board request, performed a risk assessment, with assistance from Director Dudley, of AOG operations. The assessment considered eleven areas. They identified no high/red level risks; the only moderate/yellow area was in staffing (loss of staff). The analysis included the AOG's mitigation plan to decrease risk (Atch 8).

5. Election Report

EVP Howe reported that the 2015 election process was most efficient ever. There was low participation by voters though not out of par for this type of election. There were some classes with participation rates >30%. Most voters were very happy with the process, 0.8% were dissatisfied. The cost was affordable at \$14,000.

6. Graduate Dependent Scholarship

VP Grubbs provided the Board with the awardees of the AOG Graduate Dependent Scholarships (Atch 9). To be eligible the candidates have to be legal children of a Life member or an annual member for 5 consecutive years. The awards criteria is merit based not needs based; voting is based on grades, tests, written. There is a small portion that addresses what they need the money for. To Director News question, Director Fry said that diversity is not addressed.

7. Heritage & Traditions Committee /POW Memorial Dedication

Gen Ron Yates thanked the Board for all it has done for the POW Memorial and for funding the travel and expenses of the POWs to Colorado and the dinner. It improved the feeling of the whole program. The appreciation at the Academy ceremony was palpable; the POWs got a five minute ovation at Mitchell Hall lunch. His feedback from cadets was that it was the best presentation they'd heard. Gary Howe introduced Ashley Peterson and Amanda Hess as the key people to make this possible and pointed out that these AOG staff members were very passionate about making this event a success.

Amanda Hess provided the Board with details of the POW attendance at the dedication of the POW plaque (Atch10). She noted that this was the first time the Academy POWs had been honored as a group. Many had not ever met each other personally.

VIII. Endowment Update

Gen Lorenz reported that the Endowment will be working with the AFAAC in some way to raise funds. He needs developers; his staff does not cover NE US now. Director Mueller asked how does the Endowment pay if it doesn't tax part of the donations. Gen Lorenz provided that they have an endowment, and that while they tell donors that 100% of their gift goes to their target passion they are then asked for extra money to fund fundraising. The Endowment also spends a lot of time raising unrestricted funds. After Gen Lorenz stated that it was important for all the non-profits supporting USAFA get closer together, Chairman Carleton asked how he would propose it be done. Gen Lorenz responded that the Superintendent ultimately should be responsible for this in that all non-profits should raise funds for her stated priorities. CEO Thompson asked, given West Point has exceeded its \$350M goal and the USNA has started a \$400M campaign, how can we help you with starting to follow their lead in charging for costs of fundraising? While not directly answering the question, Gen Lorenz responded that we all need to move toward a common vision. Director Fry asked how should the AOG approach the Endowment if it wished to fund a staff fundraiser [under the Endowment]; Gen Lorenz recommended that the AOG make a proposal that requires a decision.

IX. Guest Speakers

1. Superintendent Lt Gen Michelle Johnson welcomed the new board members. She was happy to report that the AFA is on an upturn. The Academy has improved their processes and is getting the budget plussed up in 2016 and 2017. With that increased the Academy can make improvements like increase security police manning which is critically undermanned. She asked for

support and advice on fundraising and closed by introducing Mr. Jim Knowlton.

2. Jim Knowlton, the new Director of Athletics [in synopsis]: ‘Glad to be here, developing leaders of character has been my whole life. Took over 23 March 2015. My entry 90 day plan focused on people, platform, and research generation. I initially researched the AFA for six months during the hiring process. Got a reasonable idea from an outside perspective. Now I’m 30 days into studying from the inside. I’ve asked my staff members to give me what’s good, what’s a problem, and what are their obstacles. In my interviews some problems are easily fixed, some problems take longer. I’ve talked to the USAFA Endowment Board, and want to be a part of their team. I want to be part of your team. I want to be a part of the solution. Community outreach: I noted that not one visitor’s guides for Denver, COS, Manitou, etc. had a picture of the AF Academy. I am getting integrated into the community and want to help the Academy integrate better with the community. Example: we plan to have a C&W concert in the stadium to bring people into the Academy. I presented a brief at Pentagon on the AFA Athletic Corporation to mid-level staffers to get them to understand the importance of the AFAAC. It is a hard task to get the AF senior staff think of this place as “the Air Forces’ Academy”. We are behind in athletic funding; Navy has \$130M in their war chest, WP has \$45M in theirs. We’re going to be fund raising through the Endowment’.

X. Senate Update

Director Dudley updated the Board on the last CAS meeting. The CAS has recently established four committees. They are: 1) Technology and Social Media headed up by Scott Land ’81; 2) Operating Instructions and Documentation – headed up by Garry Dudley ’68 and assisted by Bob Muldrow ’67 (“do what we say and say what we do”); Class Participation chaired by Larry Bagley ’66; CAS Rejuvenation - headed up by Garry Dudley ’68 – consists of the Executive Committee and facilitated by Jason Harris Class ’01. All the committees will report back to the Executive Committee to assure consistency and integration. We will review our changes with the Board’s Governance committee in case any approvals are needed, roll it out to the CAS, and eventually brief it and provide an update to the entire AOG Board. In addition, the CAS is reviewing the document “Moving Forward” and looking how best to utilize it or repackage it. That effort is headed up by Tom Fleming Class of ’69.

XI. Executive Session

In accordance with Bylaws Art V 8c and 8d the Board went into executive session to discuss the annual evaluation of its CEO and the use of the gift from the Bennett Trust.

XII. Secretary Report

Parking Lot items: The AOG staff reported that the Endowment's description of the Long Blue Line Endowment and Fund were checked and discrepancies corrected. With that Secretary Munson reported that all previous items had been addressed or were on today's agenda.

Director New requested that the AOG staff consider a collaboration tool for the Board to use as they considered motions for upcoming meetings; the AOG staff will look into this.

XIII. Adjourn

The Chair thanked the Board Directors and AOG staff for their efforts. The CEO, on behalf of the AOG staff, thanked the Chair for his service. The Board will meet next on August 7, 2015. The meeting adjourned at 1745 (MDT).

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

Respectfully submitted,

Emma Ross, Recorder
Bob Munson, Secretary

Attachments:

1. 6 Feb 2015 Board Minutes
2. Chairman Carleton's recommendations for Board appointments
3. Investment Subcommittee presentation
4. AOG FY 2016 Budget
5. AOG Financial Report a/o 31 mar 2015
6. CEO Monitoring report
7. AOG Operations Plan
8. AOG Risk Assessment Report
9. Graduate Dependent Scholarship Awards 2015
10. Amanda Hess presentation on POW plaque

