Frequently Asked Questions

Updated 1 February 2019

If a ballot is not filled out completely, does that ballot still "count" toward quorum?

➢ Yes. According to Colorado state law, the Board's interpretation of Robert's Rules, and after considering AOG election precedence, a ballot submitted counts toward the quorum. That returned ballot counts toward the quorum if it is completely filled out; partially filled out; or blank. Bylaw elections were held in 2005, 2006, 2011, and 2017, and they each adhered to Colorado state law. We emphasize that none of the results of any of these elections would have changed if partially completed or blank submitted ballots were counted, or not counted, to determine whether the 25% quorum requirement was met.

If a member votes for directors and leaves the Bylaw vote blank, is that ballot "counted" toward the quorum?

➢ Yes.

Why do completely filled out ballots, partially filled out ballots, and ballots that are submitted as blank – but not ballots that are never returned – all "count" toward quorum?

➢ Prior to the election beginning, the Board researched this issue and determined that the process outlined above was the appropriate method for determining the "count" for establishing a quorum. This research included review of Colorado state law, Robert's Rules, AOG election precedence, as well as consultation with an attorney retained by the Board to assist in ensuring compliance with our legal obligations. Based on those efforts, the Board's determination was widely publicized to the AOG membership.

➢ Later, but still before voting opened, the Board received concerns from a handful of graduate members about including all ballots submitted to determine whether a quorum was reached. In response to their questions, the Board agreed to go back to first principles and reassess our earlier decision. This included asking our attorney to accomplish the analysis again and provide his conclusions in writing, whatever they might be. That analysis strongly confirmed the Board's earlier decision. See Mr. Nagel Letter, dated 31 January 2019.

➢ Once the letter was received, the Board took another set of votes and decided to (1) maintain the same definition in place across our communications to the AOG membership so far and (2) release the legal analysis in case it might be helpful to the graduate members who posed the questions. Both of these decisions were settled before voting opened on 4 February 2019. Last, for those interested, the letter linked above is also being released because it was not generated in the normal business of the Board, not intended solely to aid in internal debates, and does not frustrate the Board's ability to accomplish its work if released.

Updated 17 January 2019

What were the key concerns raised in the Red Team Evaluation and how have those concerns been mitigated?

1. **The evaluation raised a concern that AOG efficiency and effectiveness will suffer under a single CEO.**
   Mitigation and/or Response: The Board believes that having the staff of the Endowment and the AOG under a single CEO will potentially increase rather than hinder efficiency and effectiveness. If experience proves that efficiency and effectiveness under a single CEO is unacceptable, the AOG can withdraw from the agreement.

2. **The evaluation raised a concern that members of the AOG staff believed the provisions of the Single CEO Agreement would be unworkable.**
   Mitigation and/or Response: The AOG's former CEO did not support the Single CEO Agreement because the AOG and the Endowment boards have different governing models and he believed this difference would make it difficult for a single CEO to oversee both organizations. The current CEOs of the AOG and Endowment have a different view and believe that the arrangement will work largely because the Single CEO Agreement includes

processes to resolve conflicts.

3. **The evaluation raised a concern that having four joint committees will add to the CEO's burden and the budget and dispute resolution processes will make decision-making harder and time-consuming.**
   Mitigation and/or Response: The introduction of four joint committees will require an adjustment. However, having a single CEO will likely lessen the time needed when the organizations need to act jointly. The four joint committees represent a compromise to ensure that the interests of both boards are recognized.

4. **The evaluation raised a concern that the agreement shifts CEO decision-making to the boards as board members will take on responsibilities currently held by our CEO.**
   Mitigation and/or Response: The AOG Board disagrees with this view. The Board will continue to set the parameters for the CEO authority. Actions or decisions outside those parameters will take concurrence of both boards.

5. **The evaluation raised a concern that there are no agreed common governance policies in regard to CEO/boards' relationship; this and other lessons from the USNA Alumni and Foundation experience are not addressed.**
   Mitigation and/or Response: We are proposing to start down a path to eventually mirroring the West Point or Naval Academy organizational models. The current AOG Board unanimously agrees the current Single CEO Agreement has the potential to resolve obstacles to any change in the organization's structure. It will take continuing efforts, monitoring and compromise to make the arrangement succeed. However, if a future Board determines our goal or something better is unattainable, the Single CEO Agreement contains a termination clause which can be initiated solely by either board. This clause can be likened to ejection handles, which when pulled returns us to a standalone organization as we were before the very first agreement with the USAFA Endowment.

6. **The evaluation raised a concern that past performance problems were not considered (e.g. fundraising in preceding years by the Endowment for the AOG has been negligible).**
   Mitigation and/or Response: Financial support/subsidy to the AOG and control of donated funds have been key issues in each of our previous agreements with the Endowment. Our cooperation and interactions have improved as we have continued to work to improve both our support for the Academy and the graduates. Under the Single CEO Agreement, the beginning year of operations under a single CEO is sustained by the same level of financial support we received the previous year. We believe this Single CEO Agreement is a good start toward building a greater Air Force Academy and alumni organization.

Does the agreement provide fair compensation for the AOG's costs of services that support fundraising? Does the Endowment receive free services it would have to pay for if not for the AOG?

➢ Yes, the Memorandum of Understanding (MOU) provides fair compensation for the AOG's costs of services. The AOG and USAFA Endowment (UE) negotiated an MOU that was approved by both boards after much deliberation and analysis. The $800,000 grant per year from the UE to the AOG covers office space, computers, furniture, utilities, etc. The grant also provides financial support to the AOG since it is no longer fundraising.

The UE does receive some benefit from the AOG without providing additional compensation. For example, the UE has access to the AOG database at the sole expense of the AOG. The database was already in the AOG expense structure and has been for many years. The UE has added value to the database by using their resources to assist in data collection and database maintenance. Another example of an uncompensated benefit is the AOG's fan events across the country. For the past 18 months, these events have been co-branded to introduce other Academy supporting agencies — Falcon Foundation, ARDI, AFAAC, and the UE. These events also support fundraising and the AOG has not asked for compensation from these entities.

Updated 15 January 2019

Does the Board intend to release the 2016 "red team" report?

➢ No. On 4 January 2019, the Board held a special meeting with all but three directors able to attend. One item on the agenda included discussion of releasing the "red team" report from 2016. See Minutes, 4 January 2019, once approved. The motion against releasing the "red team" report passed unanimously and the three directors who did not attend also supported this decision. On 12 January 2019, the Board held another special meeting. See Minutes, 12 January 2019, once approved. This matter was discussed again and all but one director, Kathleen Rock, voted against releasing the "red team" report. Her reasoning was transparency for the membership. Like the rest of the Board, however, she had no concern that any of the information relevant to voters was not already available through the several sources previously provided.

Updated 10 January 2019

If a ballot is not filled out completely, does that ballot still "count" toward quorum?

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If a member votes for directors and leaves the Bylaw vote blank, is that ballot counted toward the quorum?

➢ Yes. According to Colorado state law, Robert's Rules, and AOG election precedence, a ballot submitted counts toward the quorum. That submitted ballot counts toward the quorum if it is completely filled out; partially filled out; or blank. Bylaw elections were held in 2005, 2006, 2011, and 2017, and they adhered to Colorado state law and Robert's Rules. (This is the original answer, which has been clarified in an update posted on 1 February 2019 and available above.)

Is a quorum needed for filling the six open director seats?

➢ No, per our Bylaws, Article VI, Section 2c, "No membership quorum is required for a valid election of directors."

What is a "red team?"

➢ A "red team" is an internal group that explicitly challenges a company's proposed strategy. By design, it frames a problem from the perspective of an adversary or skeptic, to find any gaps in plans and to avoid blunders.

Did a previous board utilize a "red team" as part of its negotiations for a Single CEO Agreement?

➢ Yes. A "red team" including previous and still-current Board members was formed to provide internal analysis on a prior version of a Single CEO Agreement at the end of 2016. This pre-decisional tool was employed to refine the AOG's negotiating strategy and identify risks so they could be mitigated or avoided. The items raised were considered and addressed by that Board's Operations Planning Team and the risk of moving forward was deemed acceptable by the majority of that Board. Of note, the Single CEO Agreement associated with the proposed Bylaws change on the ballot in February 2019 is far removed from the "red team" analysis by years of revisions and changes in the relationship between the AOG and USAFA Endowment.

Why doesn't the Board intend to release the 2016 "red team" report?

➢ Consistent with its responsibilities, the Board will continue to identify information relevant to the proposed Bylaws change and Single CEO Agreement and highlight it to AOG members. Moreover, the fact that something of significance, for or against the Board's position, might have been included as part of earlier internal discussions does not mean it will be withheld from the membership. The opposite is true. If information is relevant to AOG members, it will be released and emphasized through this FAQ and our election website. But our obligation to help educate the membership does not mean that anyone outside the Board will be provided such information in the particular form of the earlier "red team" report, internal Board emails or director notes taken in a closed or executive session.

- Indeed, the current Bylaws specifically contemplate closed or executive sessions when the Board considers financial matters where public disclosure would serve to diminish the AOG position. See Bylaws, Article V, Section 8. The governance policies that guide the Board do the same. See Board of Directors Governance Policies, Policy 4.1(b). For this Board and future boards to be effective in representing the AOG's interests, it is critical that candid and unfiltered debate on our negotiating strategies remains possible. Disclosure of those discussions and written products developed for internal board debates on financial transactions – both of which fall into one of the few expressly protected categories of our Bylaws – would do harm to the work of the Board in this and other settings.

Updated 2 January 2019

What are the benefits to having a single CEO for the AOG and the USAFA Endowment?

- Better support for the AOG missions of supporting cadets, serving the graduate community, and preserving our heritage and traditions. This improved support will be possible because one leader will be charged with maintaining a unified focus on achieving the AOG missions and the Endowment's fund-raising mission.
- Adopting the single CEO construct, as the first step to contemplating a move to further integration, enables an increase in synergy now while both organizations work together to craft the appropriate Board composition and governance of the future.

What are the cons to the single CEO concept and how are they mitigated?

- Some fear that 'money is power' and this will lead to the Endowment subordinating the AOG. However, the Single CEO Agreement provides a level playing field for both organizations. The single CEO will report to the AOG Board of elected directors, as well as the Endowment's Board. The CEO must execute the directions of your AOG Board and the Endowment's Board. Remember, both Boards are comprised of fellow graduates who are giving of their time and talents in support of their Academy. It's not 'us versus them.'
- There will be a bit of organizational turbulence as we implement the single CEO. Why? Because change is difficult. Yet, our Boards and staffs are professional and dedicated to their missions. Focusing on the endstate will help all of us work through the challenges of organizational change.

I read that financial specifics are not addressed in the Single CEO Agreement. True?

- Financial specifics are indeed addressed. The 2019-2020 Memorandum of Understanding (MOU) 2019-2020 Memorandum of Understanding between the AOG and Endowment provides financial specifics that will stay in place until the single CEO develops new financial procedures and policies as required by paragraph 19 of the Agreement. These procedures and policies must be completed within 12 months from the CEO employment start date. The Joint Finance Committee is established in paragraph 22 of the Agreement and provides a specific construct for financial operations with a single CEO.

Why did our Board's negotiators not address common governance policies in this agreement?

- Common governance policies were a preference of AOG negotiators but could not be resolved in this initial agreement. Since two separate boards continue to exist in this construct, each organization's governance model will remain intact to continue guiding its operations. The Agreement specifically takes this arrangement into account in paragraphs 8 and 9. Looking ahead, a follow-on goal of both the AOG and the Endowment is reconsideration of these different governance policies in the event they become an obstacle to improved support for both organizations and the Academy.

I read that the AOG isn't compensated in the Agreement and is providing free services to the Endowment's fund-raising. Please fill me in.

- The AOG is compensated financially through the 2019 – 2020 Memorandum of Understanding and the Endowment agreed to yearly payments of $800,000, which was the amount requested by the AOG.

What are the different missions of the AOG and the Endowment?

- The AOG has three missions — support the cadets, support our graduates, and promote our institution's heritage.

- The Endowment has one mission — to raise funds for our Academy and those whose programs support our Academy.
- Both organizations support the Academy, albeit in different ways.

How will my AOG member benefits be impacted by this change?

- We do not anticipate any changes to the AOG's outstanding support to graduates and cadets. In fact, we anticipate that the two organizations, AOG / Endowment, by working together more closely will be able to provide even stronger support to the USAFA community.
- The AOG will still assist classes in planning and enjoying their class reunions, host tailgates for away football games and other teams so graduates remain connected with their alma mater.

How will a new CEO be identified for the new organization?

- We will use an executive search firm, as we've done in the past, to identify candidates for the single CEO position. A joint selection committee will then interview the most qualified candidates and make a recommendation to the two boards. The agreement between our organizations requires approval from both boards to finalize and select the CEO.

Are there any lessons learned from West Point's or Annapolis' experience that provided compelling rationale for this move to a single CEO?

- Both the Endowment and AOG boards have studied the West Point and Annapolis models for alumni relations in order to identify best practices for our situation.
    - West Point has always operated under one board and with one CEO; alumni and development functions reporting to the CEO.
    - Annapolis has a similar organization to what your AOG and Endowment are proposing here. Just as we have done, Annapolis established joint committees of board members to meld the organizations together.
    - There is a single CEO at both West Point and Annapolis overseeing the alumni/association and development functions.

The Agreement is thorough in creating the structure for the single CEO, the two Boards, and the two staffs. The goal is to set both organizations up for greater success. However, most people realize that issues may arise. Is this topic addressed?

- The Agreement goes into great detail concerning issue resolution. The Joint Resolution Committee is composed of six voting board members, the two board chairs plus two additional members from each board. The JRC is charged with resolving issues with respect to the policies or guidance of either board or the actions of the CEO. The key point is that the JRC must resolve the issue. A two-thirds majority vote of each board to disapprove a JRC recommendation is the only way in which a JRC recommendation cannot be implemented.

Since the Endowment is the fundraiser, how will the AOG remain financially viable both now and in the future?

- Currently, the Endowment provides an annual subsidy to the AOG so that the AOG can provide programs and services. This practice stems from the organizational separation several years ago when the AOG stopped fundraising and the Endowment picked up that mission. While this eliminated competition for donors, it created a financial gap for the AOG. This subsidy, documented in Memorandums of Understanding, fills that gap. In the future, a single CEO will be responsible for executing both budgets, to include ensuring a subsidy compensates for the AOG's loss of fundraising revenue. The Joint Finance Committee — comprised of board members from the AOG and Endowment, the treasurers of each and the CFOs — has the responsibility of reviewing and approving the single CEO planned budgets before each respective budget is presented to the appropriate board.

Do you anticipate it being a challenge for one CEO to handle an organization that was at one time managed by two?

- There is no doubt the CEO will have his/her hands full establishing priorities and managing schedules. Fortunately, talented senior executives and staff members will oversee and execute both the alumni/association and development functions.

Will other 501(c)(3) organizations supporting the Air Force Academy be included in this new organization?

- Not at this point in time but perhaps at a later date.

Are there procedures within the Agreement that address the dismissal of the CEO?

➢ The Agreement requires that a two-thirds majority vote of the entire membership of both boards is required for termination without cause. The CEO Employment Agreement will specify that a majority vote of each board will be required to terminate the CEO for cause as stipulated in the contract.

The AOG and Endowment have been operating under various MOUs for a number of years. Is there a reason to change this model?

➢ Yes, the single CEO will provide a unified voice to graduates, cadets, and other important constituencies and improve the success of the AOG and Endowment missions.

➢ For our sister service academies and many civilian campuses, the strength of support for the academies, universities and graduates is enhanced by the strong partnership and centralized leadership of the complementary alumni organizations and fundraising foundations. The AOG and Endowment have been operating under an MOU since January 1, 2010. The current MOU expires December 31, 2020. The MOU is a partial solution to effective synergy.

Worst case scenario, can the Agreement be terminated?

➢ Yes, there is a termination protocol written into the Agreement: "Either organization can terminate this agreement by providing 90 days written notice to the other board." However, there is nothing that leads us to believe this will be necessary. In fact, both boards recognize that success can lead to further integration of the AOG and Endowment.

Why is the Endowment's fundraising so important for our AOG?

➢ Unlike the Air Force Academy's early decades, the Margin of Excellence programs that have established USAFA's preeminent role as a leadership institution today are supported less and less by government funds. The Cadet Commander Leadership Enrichment Seminar, clubs, aero department research and the visiting lecturer series are examples of that Margin of Excellence. Now, graduates, parents and friends of the Academy are critical to maintaining and sustaining USAFA's role in training the next leaders in our Air Force. The single CEO construct will strengthen our AOG's and Endowment's ability to continue to deliver this crucial Margin of Excellence.

Since a single president and CEO will report to two independent boards of directors, how will the CEO serve two masters?

➢ The AOG and the USAFA Endowment Board members spent quite a bit of time on this exact question and outlined the process in paragraph 18 of the Single CEO Agreement, which can be found in a link on the AOG Election page. Here is an excerpt, "In addressing how each Board will direct the CEO, the important principle is simply that each board will deal with the CEO in a similar manner, as described below. Both the AOG Board and the Endowment Board acknowledge that boards of directors of nonprofit organizations are authorized to act only as collective bodies and that individual board members have no authority to act individually on behalf of the organization which they serve." Please see paragraph 18 for greater detail. If an impasse does occur, procedures for resolution are outlined in paragraphs 21 and 22 of the Agreement.

Why don't we simply merge the AOG and Endowment now, versus having a single CEO reporting to two Boards?

➢ In constructing the Single CEO Agreement, we integrated many "lessons learned" from the Naval Academy. Annapolis undertook a similar path in 2000 — a joint CEO reporting to two, independent boards with various committees populated by members from each board.

➢ We see this as an appropriate first step so that, if in the future a merger of the alumni and the development functions is desired, a solid foundation will have been created. This foundation will allow for effective board composition and governance can be thoughtfully crafted.

Didn't the single CEO proposal come up a while ago and get voted down? If so, why is another election taking place?

➢ No, the single CEO proposal on the ballot in early 2017 was not voted down. In fact, just the opposite…86% of the AOG members voted for the single CEO concept. Unfortunately, only 19% of the members voted, which is less than the 25% quorum necessary for a Bylaw change. This left the issue in limbo.

➢ The AOG Board of Directors chose to pursue another election in 2019 to definitively settle the issue by reaching the required quorum.

Why are some graduates opposed to the single CEO concept?

- Several of our fellow graduates believe that "you can't serve two masters," so the single CEO concept won't work. They fear that a CEO working for both the Association of Graduates and the USAFA Endowment would ultimately favor one organization's mission over the other. We disagree. A CEO answering to two separate boards is feasible when the missions of those groups complement each other. Honestly, our goal is the same as the Endowment's goal — serving the Long Blue Line and our beloved institution in the best ways possible. The AOG Board and many of the organization's members believe the single CEO concept will bring about needed efficiencies that will pay dividends for both the AOG and Endowment for years to come. In addition, the single CEO concept will result in a greater synergy between the two 501(c)(3) organizations, thus benefitting our membership, the Academy and current cadets. We are convinced that the time has come to bring the AOG and Endowment back in alignment. We commit to making sure the transition goes as smoothly as possible and that the resulting symbiotic relationship is a successful one.

Who wins and who loses under the single CEO proposal?

- We believe there are no losers under this proposed scenario. Ultimately, it's a win for the AOG and its members, the Endowment and its supporters, and the Academy and the Cadet Wing. Working together is always better than working apart. The two boards of directors will continue to look out for the best interests of their members or constituents, and will work closely with the CEO to ensure the mission and goals of the AOG or Endowment are not subjugated to the other's.

Why not keep both organizations operating as they have over the past decade?

- These are different times and a lot of healing has occurred since the events that led to the establishment of a separate USAFA Endowment. Two organizations, working cohesively , makes a lot of sense. And a single CEO over the AOG and Endowment can execute the improvements and innovations to enable better support to graduates, the Academy, and for fostering our heritage and traditions.