

Summary of Alumni Association and Foundation Issues

1 August 2007

Dear Classmates,

The internet airwaves have been full of Naval Academy alumni opinions and counter arguments concerning the most recent elections for the Chairman of the Alumni Association and the degree of compensation afforded to the President and CEO of the Alumni Association and other senior officers. The discussion has become heated, personalities have clashed, and many are left wondering what is going on. Some are threatening a court action, declaring that the Alumni Association ignored its own by-laws by (1) failing to offer a multiple candidate slate rather than a single candidate slate for Chairman, and (2) allowing some Board members to serve more terms than the by-laws permit. I have heard from many of you on one side of the issues presented or the other. Some have asked what our class position is.

In answer to the last question, I think there can be no class position. We each should inform ourselves as to the arguments presented and then make up our own minds. Having done so, we should each then inform the Chairman of the Board of Trustees, the President of the Alumni Association, and the elected Trustees of our Association as to our views. Let them hear from you directly. It is your alumni association and your voice counts. The e-mail addresses of these officers appear at the end of this letter.

To see the differing views about the conduct of the 2006 election, visit these two web sites: (a) The Alumni Association site at www.USNA.com -- click on "About Us", then "Association", then "Post Election Info" and "By Laws". (b) The unofficial Naval Academy Alumni Action Group site at www.naaag.org -- Sign in with the user name "member" and password "bancroft", all lower case.

Although only a single candidate, Admiral Trost, was offered for the office of Chairman of the Board, the actual vote in which 40% of the vote was won by BGEN Tom Draude '62 as a write-in candidate indicates strongly that many of the alumni voting prefer a choice in qualified candidates rather than only a one candidate slate. Members of the Alumni Association have been criticized for failing to vote in elections in the past. If only one candidate is on the slate, most see no need to vote. As evidenced by the recent write-in vote, where more than one candidate surfaces, the volume of those voting increases significantly and alumni perceive that they have an active role in their association's governance and proceedings.

Some of you have expressed surprise and some dismay that George Watt, who is President and CEO of both the Alumni Association and the Naval Academy Foundation is compensated with mid six figure earnings. **Stephen Andres '67**, the Trustee from the Western Region, explained in detail how this salary figure is arrived at in response to a query from our classmate, Hugh Schall. I pass this along to you:

"The Executive Committee was just briefed on the compensation process. The compensation of the top officers of the Alumni Association and the Foundation is determined by the Joint Compensation Committee. They use a compensation

consultant and a lawyer. In June-July time frame the lawyer briefs the Committee on any charges in the regulations regarding non-profit executive compensation. In August the Committee receives performance appraisals from George Watt on his direct reports and from the chairman of the Foundation (Adm. C.R. Larson) and the Alumni Association (Adm. C.A.H. Trost) on George's performance. Then the consultant develops a recommendation on competitive compensation based on the compensation surveys and suggests a range based on compensation organizations in the industry. The Joint compensation Committee determines the officer salaries and the Alumni association representative on the committee briefs the Board of Trustees Executive Committee. That's the process which is consistent with most major corporations in the world."

You will also find more details about compensation procedures at the USNA website (www.usna.com) under "Association".

Whatever your position on the current controversy, we can all be proud of the continuing success of our Alumni Association in fulfilling its mission to serve and support the United States, the Naval Service, the Naval Academy, and its alumni. I urge you to keep informed about our association and to give it your continued support and participation.

Regardless of what has happened to date, we need to look ahead. In this regard, you need to review carefully the facts and make up your mind as to the issues in contention, and then communicate your thoughts to the Alumni Association leadership. We all share a common experience at the Naval Academy, one that largely shaped our lives in many ways and laid the foundation for our successes in life. We continue to share that experience.

Quality '63

W. Spencer Johnson

USNA Alumni Association officers

Carl Trost Chair Carlisle.Trost@usna.com

Corbin McNeil Vice Chair Corbin.McNeill@usna.com

George Watt Pres / CEO PresCEO_USNAAA@usna.com

Snuffy Smith Past Chair

Len Wass Central Region

Bill Rentz Eastern Region

Steve Andres Western Region StephenMAndres@aol.com

Mike Collins Mid-Atlantic Region

Andrea Phelps Board Selected

Leo Williams Board Selected

Victor Delano Classes of the 40s Vdelano@aol.com

Francis Donovan Classes of the 50s fdonovan@mindspring.com

Michael Haskins Classes of the 60s mhaskins@usna.edu

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Joseph Moreno Classes of the 90s joe@1993.usna.com

Murph McCarthy Classes of the 00s murphmccarthy@1990.usna.com

Carl McCallum Atlanta Chapter

Fred Sheehan Boston Chapter

Russell Puppe Columbus/Ohio Chapter

Pierce Johnson Washington DC Chapter

Dave Paddock Hampton Roads Chapter

Joe Koch Los Angeles Chapter

Jim Bethmann North Texas Chapter

Glenn Montgomery Pensacola Chapter

Walt Draper Puget Sound Chapter

Lawrence Stovall San Antonio Chapter

William Bogle San Diego Chapter

Lynn Wegner Texas Gulf Coast Chapter

An Aug 07 exchange of e-mails between Jim DeFrancia and Pete Savage, both of Class of 1963:

Pete:

What, exactly, is the complaint about the present Assoc as to its operations? Has it not been hugely successful in fund raising and assisting USNA?

Putting the complaints about governance structure aside, what is the beef? And if it is operating well, then why all the fuss about how a Chair is elected?

As for bringing suit in a Maryland court - shameful! Are we, too, to resort to the all American pastime of suing about every outcome we don't like. There are far better ways to resolve this matter.

JDeF

Jim,

Thanks for asking the questions!

Please forgive my lengthy response. As Lincoln said: "If I had more time, this would have been shorter." (or something like that :-)

1. There are two completely separate and independent organizations:

- The Foundation is responsible for fundraising. As you note, it has been hugely successful in fund raising and assisting USNA. The Foundation is doing a fantastic job. The Foundation has a board of directors: Chuck Larson is the Chairman, Mike Bonsignore, Roger Tetrault, and Ron Terwilliger from '63 are on the board. Chris Poindexter from '60 is on the board. You can see the entire board at: <http://www.usna.com/NetCommunity/Page.aspx?&pid=468&srcid=2403>

The mission of the Foundation is:

"To support, promote and advance the mission of the Naval Academy by working in conjunction with Academy leadership to identify strategic institutional priorities, and by raising, managing and disbursing private gift funds that provide a margin of excellence in support of the nation's premier leadership institution."

If you go to: <http://www.usna.com/NetCommunity/Page.aspx?&pid=2197> you'll see "The Naval Academy Foundation is the sole fundraising organization for the Academy and has developed a comprehensive fundraising program that is closely aligned with the Superintendent's strategic planning efforts."

- The Alumni Association has no fundraising responsibilities. The Association is funded by the Foundation. The Association has a board of trustees. The Chairman is Carl Trost. The Vice Chairman is Corbin McNeil. Other trustees include 4 regional trustees elected by the members in those regions, 4 "class trustees that "represent" the classes in 10 year groupings (ex. Mike Haskins "represents" classes that graduated in the '60s), 12 Chapter trustees, appointed by the 12 largest chapters, and 2 trustees appointed by the board. You can see the entire board at:

<http://www.usna.com/NetCommunity/Page.aspx?&pid=462&srcid=471>

The mission of the Alumni Association is:

"To serve and support the United States, the Naval Service, the Naval Academy and its alumni:

** By furthering the highest standards at the Naval Academy;
* By seeking out, informing, encouraging and assisting outstanding, qualified young men and women to pursue careers as officers in the Navy and Marine Corps through the Naval Academy; and
* By initiating and sponsoring activities which will perpetuate the history, traditions, memories and growth of the Naval Academy and bind alumni together in support of the highest ideals of command, citizenship and government."*

Fundraising is not part of the mission of the Alumni Association. The Association does lots of great things for USNA, and all of them are funded by the Foundation.

George Watt is President and CEO of BOTH the Association and the Foundation. As CEO of the Association, according to the By-Laws he is automatically a trustee of the Association. He is also a director of the Foundation. This dual role makes it very hard to distinguish when George is speaking as the CEO/trustee of the Association and when he is speaking as CEO/director of the Foundation.

2. So, as you say: "What's the beef?"

There are many answers to that question.... I aggregate most of the "beefs" under what I call "pet peeves". Perhaps none of the "pet peeves" alumni have matter very much... But they include (not in any order of priority) in many alumni's eyes:

- SHIPMATE has changed from a magazine about and for alumni to a magazine with less about alumni (the class columns have been severely constrained, the sea stories have been eliminated, etc...) and more about fund raising.
- The Alumni Association has been less and less involved in reunions. Bill Earner said: "When our class had its last reunion and Hurricane Isabel swept in, the Assn CEO was NOT any help. It was the then-new Supt, VAdm Rempt who made the decisions in our class's favor. The Assn was running for cover."
- Many alumni perceive that the Association is doing less and less of "...initiating and sponsoring activities which will perpetuate the history, traditions, memories and growth of the Naval Academy and bind alumni together in support of the highest ideals of command, citizenship and government."

Trustees of the Association back in 1998 questioned the BOT's adherence

to the By-Laws. This continued in 2002 when the first election flap occurred. Adherence to the By-Laws came into public view in 2006. Chuck Krulak nominated Tom Draude as a candidate for Chairman. The first nominating committee told Tom he was on the ballot. That committee was disbanded and a new committee recommended a single candidate - the then current chairman, Carl Trost, as the single candidate. The secrecy surrounding Draude's removal from the ballot raised questions about governance and about adherence to the By-Laws again.

Questions to individual trustees and to the BOT collectively were dismissed as ramblings of ignorant, uninformed dissidents. That perceived attitude by George Watt and the BOT didn't go down well with the alumni asking the questions

A number of alumni started looking into the By-Laws. Bill Tate and Mike Tackney of '64, found what they allege are violations of the By-Laws related to term limits. They allege the By-Laws are clear that a trustee cannot serve more than 2 consecutive terms = 6 years. Trost, McNeil and Smith are far beyond that.

Does it matter? That's precisely the question!

The BOT says: "The By-Laws are ambiguous. We interpret them in what we see as the best interests of the Association."

Many alumni say: "This is an Association of peers. By law, the By-Laws have to be followed. They shouldn't be amended except by vote of the members."

The bottom line:

There are two questions that the BOT of the Association is now considering:

1. "Should the chairman and vice chairman be appointed or elected, and if elected, should there be multiple candidates?"

The current By-Laws mandate an election and allow multiple candidates. Carl Trost and George Watt are on record and have proposed appointment of the Chairman and Vice Chairman, saying alumni are not informed or qualified to vote for chair and vice chair. This doesn't go down well with many alumni, especially those who have been involved with the Academy and the Association and Foundation for many years.

2. "How should changes to the By-Laws be enacted?"

The current By-Laws require a 2/3rds vote of the trustees to amend. Again, many alumni see a trend toward an alumni association that is run by a self appointed board, distant from the alumni, and question the entire process.

I dislike litigation probably more than many of our classmates. As CEO of a public company I was subjected to groundless suits on three occasions. America has become the land of the litigious.

However, many alumni now believe:

- the BOT have ignored questions about adherence to the By-Laws since 1998.

- They have refused to respond to thoughtful inquiries from alumni and individual trustees for the past 9 years.

In that atmosphere Tate and Tackney raised the questions again, asked

for a private resolution with the BOT, and included the threat of taking the questions to the alumni as a whole if the BOT didn't address the questions. They also said if the BOT failed to address the questions, they would pursue all avenues open to them to resolve the questions. These avenues include asking a state court judge to rule on the matter. The BOT has closed the door to further discussion of adherence to the By-Laws with Tate and Tackney, with trustees, and with alumni. They could have extended a conciliatory hand in private and none of this would have happened.

Now, all of this is public. The BALTIMORE SUN has written about it. My appeals to individual trustees have been dismissed with the suggestion that I write my class president, and write individual trustees.

If alumni don't care about the questions, they really should email one or more trustees saying that.

If alumni do care, they should email one or more trustees, giving the trustees their opinion on the questions.

That's the basics of democratic processes. That all there is to it!

Thank you again for your questions!

With best regards,

// Pete

Pete:

If T&T wish change then they should pursue the mechanism for change within the respective organizations. That might entail introducing resolutions at an annual meeting, for example, or campaigning for selected Trustee candidates so as to gain control of the Board over time.

I thought we all learned how to achieve the objective after assessing options and assets/resources, and it does not seem that T&T have done that.

And, again, what the hell is the beef anyway since both organizations have been performing exceptionally well for a number of years and it is all dramatic improvement over the good-old-boy style of Bill Busick many years ago.

JDeF

Jim:

There is no mechanism for change within the Association other than to write to the trustees.

The trustees decide what they feel is best for the organization.

There is no annual meeting of the Association membership, although Maryland law requires an annual meeting.

The "beef" basically is: "Shall the Alumni Association be run by the BOT who are free to do whatever they deem appropriate regardless of what the By-Laws say, and be able to change the By-Laws in any way, or should the members have a say in how the Association should be run?"

If you have an opinion, please voice that opinion to Spence Johnson, and to the trustees of the Association.

Personally, I feel:

- the Alumni Association should be an association of peers.
- the members should be consulted on matters of importance
- the Association should be run in accordance with the governing documents as the law requires
- Significant changes to the governing documents should require a vote of the members

I've made my opinion known to the BOT.
I urge you to make yours known to the BOT.

With best regards,

// Pete
