

AIR FORCE VILLAGES, INC. (AFV)

Board Policies for Composition and Operation

1. The bylaws of AFV, Inc. specify the following:
 - a. Procedures for electing persons to the Board (Including Board size and duration of Board membership) (Article III)
 - b. Numbers and term of Directors (Article IV, Section 2)
 - c. Requirement for meetings (Article IV, Section 3 & 4)
 - d. Notice of meetings (Article IV, Section 5)
 - e. Quorum (Article IV, Section 6)
 - f. Resignation and removal of Directors (Article IV, Section 10)
 - g. Loans and disbursements to Board members (Article IV, Section 12)
 - h. Board Committees (Article VI)
 - i. Annual Audit (Article IX, Section 3)

2. Composition of the Board
 - a. Board membership criteria – Board members are obligated to duty of care (to act in a reasonable and informed manner when participating in Board decisions) and duty of loyalty (exercise power in good faith and the best interest of the corporation). They must be committed to the mission of AFV.
 - b. Board size – see bylaws, Article III
 - c. Board composition – desired is a Board composed of a broad range of experience including:
 - Finance
 - Auditing
 - Legal
 - Personnel
 - Engineering
 - Medical
 - Real Estate
 - Procurement
 - Retired Officers from Other Uniformed Services

Requirements of the Supported Boards and AFV, Inc. Committees should be considered when recruiting and nominating prospective Board members.

In addition, there shall be an elected representative from each of the two independent living communities.

The majority of the Board will normally be retired officers, spouses, or widows (widowers). Generally, the Board should mirror the ethnic and gender distribution of the resident population. In addition, at large members from the community not related to the military, with specific experience such as retirement communities, construction, or finance, may be selected to balance the interest of the Board.

- d. Officers of the Board are detailed in Article V of the bylaws. Board officers include:
 - Chairman of the Board
 - * Chairman Elect of the Board
 - **Vice Chairman of the Board
 - * Second Vice Chairman of the Board
 - Secretary
 - * Treasurer
 - * Filled at option of the Board
 - **Normally the spouse of a retired senior Air Force officer
- e. Tenures of the officers are 3 years – the bylaws do not prevent reappointment
- f. Unrelated Board representation e.g., absence of any influence between a governing Board member and any person or entity that benefits from an AFV transaction,,e.g. conflict of interest. Members who have entrance fee deposits (excluding Priority List deposits) are considered to have potential conflict of interest and should abstain from voting on issues that could lead to personal benefit.
 - See bylaws, Article IV, Section 14

3. Selecting Board Members and Officers

In all cases, the individual recommended to serve will be contacted by the Executive Assistant to the President to validate that the individual is willing to serve.

- a. Selection of the Chairman of the Board. Clearly, two paramount qualifications must be met by any prospective Chair candidate. First, an individual must have demonstrated progressively broad executive experiences over an extended period of his or her lifetime. Second, a candidate must commit both convincing interest and willingness to invest personal time in performing the duties of Chair.

There is no presumed career or experience roadmap essential for Chair candidacy. A historical view of the Air Force Villages Board leadership, however, suggests with clarity that a retired Air Force General Officer is a very highly desired qualification. The experience, knowledge and affinity of retired Air Force General Officer status, vis-à-vis the Air Force retired officer community, is graphically self evident. It would be unwise to state that retired General Officer status is a requirement for Chair candidacy; however, a reality-based expectation is the Chair, Air Force Villages, Inc will be a retired Air Force General Officer in view of the official relationships with the Air Force Team; charitable relationships with the active Air Force officer and spouse populations; lengthy and consistent historical precedent; and Village resident expectations.

Of significant importance in judging a potential Chair candidacy, are life experiences post-military retirement. A measure of an individual's breadth of experience are post-retirement employment considerations which enhance and robust the individual's military resume. This consideration is merely an acknowledgement that retired General Officer status is not singularly sufficient qualification; business or other relevant post-retirement experience is deemed vital.

Because the Executive Committee must recommend a candidate on a "best qualified" basis, it is presumed that an individual will have served on the Board in various capacities in the past, demonstrating convincing interest and willingness to invest personal time in the pursuit of AFV, Inc operational oversight.

To avoid inevitable appearances or actual conflict of present or future interests, Chair candidate(s) or spouse(s) may not have made a waiting list deposit for future residence at either Village.

b. Procedures for Selecting Board Members

Nominating Board members - Each existing Board member should seek candidates for Board membership and submit their names and resumes to the Executive Assistant to the President.

- A Nominating Committee shall select candidates best qualified to serve on the Board consistent with available vacancies
- Board members shall be elected as specified by bylaws (Article III). The Board is required by Article III, 8c. to determine the Record Date of the election so as to determine the voting eligibility of Life Members. This date is September 30.
- As indicated in the bylaws, the Chairman of the Board may appoint a qualified person between elections, as necessary.
- Resident Directors are nominated by special procedures as indicated in the Board Governance Manual.

c. Once elected, the President will orient the Board members to the programs (including the Strategic Plan) finances, and facilities of the organization.

d. Selecting Officers of the Board (other than Chairman)

The Nominating Committee will develop a slate of officers for presentation to the Board at the Business Meeting following the Annual Meeting.

4. Board Self Assessment

The Board will annually (normally in the 3rd quarter of the calendar year) conduct a self assessment using questionnaires supplied by Board Source, CARF-CCAC Standards Manual, or other appropriate source.

5. Nominating Committee Evaluation of Boardsmanship

- a. Annually, the Nominating Committee will evaluate the Boardsmanship of the members of the Board, especially those being considered for re-nomination to the Board.
- b. The criteria for good Boardsmanship tends to be subjective, will vary with the individual, and depend upon such things as Board attendance, committee participation, level of engagement at Board meetings, leadership positions held, participation in fund raising and/or contributions, and specific expertise they bring to the Board (as well as their reputation in that field of expertise).
- c. In advance of the meeting of the Nominating Committee, the Chairman of the Board will ask each Board member to provide a self appraisal of their Boardsmanship. The member may consider the following "criteria" or such other criteria as they deem appropriate. Submissions will be kept confidential, used by the Nominating Committee, and then destroyed.

- d. Prior to the meeting of the Nominating Committee, the Executive Assistant to the President will contact persons newly nominated to the Board as well as those whose terms are ending and confirm that they are willing to continue to serve.
 - e. The Nominating Committee will then meet and review Boardsmanship of current Board members using the following general criteria:
 - Attendance at Board and committee meetings during the past year
 - Meeting preparation
 - Level of engagement at meetings and contribution to decision making
 - Leadership positions held
 - Contributions to Village Fundraising
 - Specific expertise
 - Conflict of Interest Issues
 - Attendance at conferences and/or meetings designed to increase knowledge about the retirement community
 - The member's self appraisal
 - f. New candidates for the Board will be considered using the above criteria, as appropriate.
 - g. The Nominating may provide feedback to Board members, as appropriate.
6. Board Education and Development
- a. Each Board meeting will include a 5-10 minute discussion by staff of important operational concepts or procedures.
 - b. At least twice a year, an outside individual will be invited to speak to the Board regarding trends/subjects in the CCRC or retirement community
7. Board member Exit Process
- a. Policies regarding resignation and removal of Board members are in the bylaws, Article IV, Section 10
8. Committees of the Board are detailed in Article VI of the bylaws.
- a. Committee responsibilities are outlined in the Board Governance Manual.
 - b. Qualifications for Committee Chairman are outlined in the Board Governance Manual
 - c. Specific committee members/chairmen assignments are coordinated by the Board Chairman and the Corporation President in coordination with the individual Board member. In addition, committee assignments are coordinated with the Committee Chairman. Members/chairmen assignments are approved at the Annual Business Meeting following the Annual Meeting. In accordance with the bylaws, at least one member from each Supported Board will be on each Standing Committee.
 - d. The Executive Committee shall serve as the Governance Committee; the Vice-Chairman will serve as Chairperson of the Nominating Committee.
9. Management and Administrative Services Agreement
- a. The Board has entered into an agreement with each of the four (4) supported and (2) supporting corporations. In essence, the agreement retains AFV, Inc. to perform certain management and administrative services for these Boards.

10. Financial Matters between the Organization and the Board Members.
 - a. Indemnification of Directors and Officers is supported by Article XI of the bylaws.
 - b. Article IV, Section 13 prohibits loans or disbursements to any member of the Board of Directors. Board members may be reimbursed for reasonable, ordinary and necessary travel and other out-of-pocket expenses incurred in their duties as director.

11. Use of External Advisors
 - a. The responsibilities of the Risk Management Committee as outlined in the Board Governance Manual detail the requirement to hire a qualified independent audit firm to conduct the annual audit as well as other conduct related matters as required by staff, committee, or Board.
 - b. The responsibilities of the Finance Committee as outlined in the Board Governance Manual detail the requirement to hire a qualified financial advisor to guide investment of AFV assets.
 - c. The Board and staff will use outside advisors, as necessary, to access expert advise. Such advisors will normally be competed and selected on the basis of best qualified to support the issue at hand.

12. Annual Declarations

The Board will annually (normally, at the Business Meeting following the Annual Meeting) sign the Conflict of Interest Declarations and the Texas Department of Insurance Biographical Data Form for Board Member of Not-For-Profit CCRC.

13. Interaction with Outside Parties
 - a. As an affiliate organization of the United States Air Force, AFV will maintain contact with the Air Force Officers' Wives and Spouses Clubs (Sponsor Members of AFV per bylaws), Personnel Center (for issues related to the widows-in-need and the Air Force Team) and the Office of the Air Force Chief of Staff (for support at the bi-annual AFV, Inc. Annual Meeting).
 - b. AFV will sponsor the cooperation of community land owners and political entities with a view toward resolving issues of mutual interest.
 - c. AFV will maintain close communication with residents.
 - d. AFV will maintain close communication with major donors.

14. Relationship of the Board and Management
 - a. The President/CEO is selected by the Board and is accountable to the Board to execute leadership in accordance with the Board approved Job Description and Board established policies. The Board will review the Job Description annually to insure that it is consistent with the then Board policies, programs, and goals. The relationship between the Board Chairman and the President/CEO must be close and cooperative. The Chairman should be available to serve as a confidential sounding board for issues facing the CEO and the organization. For example, meeting agendas should be prepared by the President/CEO in close coordination with the Chairman.

- b. Within the bounds of reason, Board members should feel free to contact the President/CEO or the Executive Assistant to the President/CEO to obtain information needed to fulfill the Board's duties. Board members should be more restrained in contacting other members of management and should be aware of management's role, of not interfering with it, and of not undercutting the President/CEO or other officers. This policy is not intended to prevent discussion between Board and Staff regarding routine issues or questions regarding issues coming before the Board.

Exceptions to this concept include:

- (1) The Chair of the Finance Committee interaction with the CFO.
- (2) The Chair of the Risk Management Committee interaction with the CFO.
- (3) The Chair of the Facilities Committee interaction with the COO and the CFO.
- (4) The Chair and members of the Charitable Foundation Board interact with Development or the CFO.
- (5) The Chair and members of the Fund Board interact with the CFO.

15. Practices that Facilitate Governance

- a. Certificate of Formation will be reviewed at the Business Meeting following the Annual Meeting by the Board every three years and by new directors as they join the Board.
- b. Bylaws will be reviewed at the Business Meeting following Annual Meeting by the Board and by new directors as they join the Board.
- c. The size of the Board will be reviewed at the Business Meeting following Annual Meeting to insure that the number of members is consistent with the bylaws.
- d. The Mission and Vision statement will be reviewed at the Business Meeting following Annual Meeting to insure continued relevance.
- e. The Internal Auditor will brief the Finance Committee at least semi-annually on the results of recent audits and plans for future audits. The Internal Auditor will brief the Board annually.
- f. Review of the Board Governance Manual and attached policies at the Business Meeting following Annual Meeting.
- g. The Finance Committee will annually assure internal control and risk management systems are in place.
- h. Finance Committee will review financial performance of the supported corporations at least quarterly; AFV, Inc. will review the financial performance of AFV, Inc. at least quarterly.
- i. AFV, Inc. will publish an Annual Report and Annual Report of Audit.
- j. The President/CEO will meet with residents periodically in small groups and Town Meetings. The President will report to the Board issues raised, as appropriate.
- k. The schedule for meetings for AFV, Inc. will be approved by the Board at the Business Meeting following Annual Meeting.