

DESTINATION IMAGINATION, INC.
BOARD OF TRUSTEES MEETING
Irving, Texas
October 4 - 5, 2009

CALL to ORDER
8:10 a.m. EDT

The meeting was called to order by Board Chair, Brownie Mitchell.

ROLL CALL

Present:

Karen Anderson, Rosemary Bognar Pinney, Valerie Conroy, Andy Loftis, John Maloney, Brownie Mitchell, Sue Oclassen, Pamela Schroeder, David Thomason, Bruce Urban, Johnny Wells, Nancy Wingenbach, Eric Wolff, and CEO Chuck Cadle. Creative Director and COO Rusty McCarty and CFO Joe O'Brien joined us later.

Chair Brownie Mitchell welcomed Rosemary Bognar Pinney to the Board. She presented outgoing Trustee Andy Loftis with the traditional Pyramid Award, thanked him for his service and noted that we looked forward to his future contributions to the organization. She amended the agenda to add time, after the 10 a.m. break, for DIAD President Eric Wolff to report on the Irving, Texas, DIAD meeting. The Ad hoc Committee will meet during lunch to conclude its business.

APPROVAL of AGENDA

Motion:

Eric Wolff moved to approve the Agenda as amended.
Second by Pamela Schroeder.

Action:

Motion Passed.

The minutes of September 22, 2009 were amended to add the motion that had been made and passed to waive the required seven-day meeting notice.

APPROVAL of MINUTES

Motion:

Bruce Urban moved to approve the Minutes of August 25 and September 22, 2009.
Second by Andy Loftis.

Action:

Motion Passed.

Chair Brownie Mitchell set the 2010-2011 calendar year.

DIAD meetings: September 30 – October 2, 2010 (Knoxville)
September 15 – 17, 2011 (Cherry Hill, NJ)

BOT meetings: January, 28 – 30, 2010 (location to be determined) with travel days January 27 and 31, 2010.

July 29 – 31, 2010 (Cherry Hill, NJ) with
travel days July 28 and August 1, 2010.
October 3 – 4, 2010 (Knoxville)
September 18 – 19, 2011 (Cherry Hill, NJ)

Motion: Bruce Urban moved to make the corporate office the default meeting location unless needs dictate otherwise.

Second by Karen Anderson.

Action: **Motion passed.**

The fiscal year begins October 1.

Board teleconference meetings will be held on the second Tuesday of each month at 8:30 p.m. Eastern time but may be cancelled if not needed.

Committee assignments were reviewed.

STAFF REPORTS

FINANCE REPORT

Controller Joe O'Brien reviewed details of the current budget report.

- We are on budget with a loss as forecasted and sufficient cash on hand with team-pak revenue coming in over the next several months.
- We need to maintain a certain profitability level, debt coverage ratio, by setting prices and achieving sufficient volume to gain revenue, to satisfy the building loan requirements.
- CEO Chuck Cadle introduced a discussion of the timing of the sale of the Glassboro property. It was suggested that the staff obtain an appraisal and inspection and then make a recommendation to the BOT.
- The new property is being updated, and furniture plus a new, less costly phone system are being added; bids are being sought and a second loan, secured by the High Street property, will pay for the changes. Occupancy is expected in 60 – 90 days.
- The audit begins November 9.
- A loss control specialist from Hartford Insurance has recommended that we obtain hold harmless agreements signed by all participants in our domestic and Canadian regional and affiliate tournaments, as we have done for Global Finals; we await more information from our insurance agent.

OPERATIONS REPORT

Creative Director and COO Rusty McCarty answered questions and highlighted the Operations Report submitted October 1, 2009:

- 2010-11 DI program materials are ahead of schedule in development; 2009-10 materials are on schedule; appraisal packets will be sent at the same time as last year to allow for training and testing opportunities.
- Challenge forums are being established and the IT staff is working to make them simpler to use.
- The Clarification system is expected to open October 15th, depending on whether it can be added to the new Atlas system.
- The marketing suitcase, the major piece of Phase 2 of the Start a Team initiative, was presented at the DIAD meeting by Matthew; the extensive PowerPoint is available to the BOT.
- The style guide has been distributed and is available electronically; it will be updated periodically. Its development has involved staff every member.
- The value of the brand, with marketing and promotion at the national and international level, is that all in the organization will benefit from the uniformity and consistency of images and fonts. Some growing pains are anticipated; DII is working with affiliates to create their own set of professional lockups (images such as box and ball with specific border, spacing, tagline, etc.). Some monetary recognition of affiliates who do excellent and timely branding is expected. The goal is to get the most 'bang for our buck' by uniformity of brand.
- DII is working to help affiliates develop web pages, especially those who have no web presence, and, in the long run, offer some web service. Modular graphics can be offered now; templates will be available later.
- Radio PSAs are in 1200 markets; ADs were given letter templates and instruction on effective ways to expand distribution. The radio PSA is on our website and that of the National Association of Broadcasters (NAB). The first "hit" suggested \$500,000 in value of airtime was gained within just a couple of weeks. The PSAs will end in one year.
- A television PSA is being developed to match up with the billboard and radio pieces under the campaign of "Begin the journey of a lifetime..."
- The VOCUS public relations tool allows us full access and building of a reporter database plus tracking of our domestic and international media and PR pieces. This is important for the DI reality web show concept, in which one domestic team in every challenge will be followed live, with blogging, video and pictures, without revealing solutions, during the season. Scholarships will be awarded to members of the most successful team.
- Marketing efforts are moving very rapidly.

- State leaders are working well; three were trained. The Idaho affiliate terminated its agreement; a memo of understanding delineates how the area volunteers will continue to support the program. New state leaders have been found for Idaho, Kansas, Arizona; others are sought for Florida, Nevada and Delaware.
- New regional recruiters are in Oklahoma and Washington State areas.
- There is a “sponsor a team” option in a 1-Pak or 5-Pak, such as for the Construction Challenge.
- Nancy Wingenbach complimented CEO Chuck Cadle, Controller Joe O’Brien and COO & Creative Director Rusty McCarty for their impressive management that led to the first financial planning she had heard that was neither retroactive nor dependent on Global Finals; the other trustees concurred. Rusty McCarty insisted that it was due to team efforts.
- Canada will be a wholly-owned subsidiary. Roger Garriock is serving as Country Manager or Director; the country will be treated as a whole, rather than as provinces. Quebec has a new Province Director; recruiting in six other provinces is active. Program funding and support may be available from sponsors and the Canadian government. Affiliate support will be stronger for both the country and the provinces.
- Many Global Finals teams are expected from the United Kingdom, Canada, Brazil, and China, as well as other international affiliates, a large growth area this year. An international coordinator is being recruited.
- Activities concerning volunteers and alumni in domestic affiliates in the written report were cited. Thirty-eight diagnostic forms have been completed; five are expected. Information gained and needs expressed from the diagnostics have helped shape the new marketing suitcase, including postcards, templates and branding guides.
- DI Alumni had a great meeting in the office; their main goal is to create a database of 10,000 alumni by the end of the year.
- LeadIng the Way first edition will be issued next week.
- Ginger Green will fill a Featured Communities Committee position in a partnership with America’s Promise Alliance.
- Tournament participation by affiliate and challenge were discussed for quality, future planning and target marketing, the last particularly for the more technical challenges.
- Our first volunteer survey of team managers and coordinators was taken with a very good response rate.
- The staff is determining how to properly manage a code of conduct for volunteers through the web and how to coordinate this with training.

- CEO Chuck Cadle commended COO & Creative Director Rusty McCarty and Controller Joe O'Brien for their efforts during and since the transition, saying that working with them was a pleasure but, also, the BOT and affiliates could have no better people as support staff. Rusty McCarty pointed out that everything had been accomplished by team effort.
- Rosemary Bognar Pinney asked what steps the staff was taking to ward off potential burnout. Rusty McCarty replied that the expansion of staff, making people accountable for specific tasks and adding a workflow planning process have added sophistication, awareness of priorities and timelines of projects. The creative team has weekly meetings and the staff anticipates that the new headquarters will add utility.

Chair Brownie Mitchell recognized Trustee Johnny Wells, who was recently named Teacher of the Year in the State of Texas.

CEO REPORT

- A discussion ensued regarding the DIAD meeting held this week; it was generally viewed as a success by CEO Chuck Cadle and Trustee ADs. Some ADs were overwhelmed by the generous amount of marketing information given, much of which had been long sought. Some small affiliate concerns had been expressed but most comments were positive and the evident transparency was welcomed.
- CEO Chuck Cadle met with a DIAD committee to explain the business plan and answer questions about affiliate support.
- Many ADs told CEO Chuck Cadle they never realized the level of affiliate support available from HQ or knew the depth and breadth of expertise and graduate level degrees held by members of the staff, all of which could help the ADs sell the program.
- Nina Parker, Outreach Coordinator, will help recruit teams in the Philadelphia area and head projectOUTREACH® efforts.
- Some changes to the Employee Manual have been suggested by White and Williams.
- Maureen Donovan has made an excellent transition to Human Resources.
- The business plan and budget have been uploaded to the AD Resource page.
- In partnership with Global Entrepreneurship Week, a challenge will be offered to the DI and GEW communities in November.
- Dr. Nancy Wingenbach will be a guest columnist writing about DI for the *School Administrator* magazine.

- The BOT examined the draft of a professional fundraising document which includes mission, use of funds, mission, success stories with at-risk populations, financial data, spectrum of operations, management and BOT bios, supporting research, etc.
- The success of the funding campaign could potentially fund teams in at-risk populations, offer stipends to team managers, help teams go to Globals, create an endowment fund to use for scholarships, market to new school areas, increase international expansion and defray headquarters expenses.

DIAD REPORT

DIAD President Eric Wolff reported that the DIAD meeting was very positive:

- The staff report and presentation were spectacular: visually impressive, precise, well-targeted and offered much information to absorb.
- The staff was available to all throughout the meeting and all individual time slots were used by ADs.
- A panel discussion focused on how to pitch the program.
- Matthew Arts presented information on marketing and branding.
- In the DIAD meeting, many ADs were delighted with the evident transparency and increased affiliate support.
- There were some concerned about changes and the potential implementation of accountability measures. A DIAD committee was formed to define AD responsibilities and examine affiliate support, the license agreement and possible consequences for not meeting responsibilities. CEO Chuck Cadle serves as staff liaison to the committee.
- An informal survey taken of ADs before the presentations offered interesting information. Most pitches were to school teachers, principals and administrators; relatively few were to state officials.
- ADs shared best practices with each other.
- Rosemary Bognar Pinney presented invaluable information on the benefits and responsibilities of 501(c)3 status for affiliates. She and Joe O'Brien will make certain each affiliate is aware of their responsibilities and status.
- Rosemary Bognar Pinney also led an important session on reading and understanding financial documents plus the roles and responsibilities of the BOT and staff.

- Mike Mitchell was commended for volunteering to videotape and edit the presentations for ADs.
- John Maloney was thanked for arranging and hosting the DIAD/BOT excursion to the Texas State Fair.
- Some learning by playing was also a meeting component.

Chair Brownie Mitchell reviewed current committee members and chairs and reappointed Eric Wolff as Parliamentarian.

Motion: Chair Brownie Mitchell moved that Bruce Urban be elected Compliance Officer for the corporation.
Second by Karen Anderson.

Action: **Motion Passed.**

Chair Brownie Mitchell noted that Andy Loftis had been awarded the traditional gift for service on the Board but Rosemary Bognar Pinney had not received it for her previous term; the Chair will ask Maureen Donovan and Kevin McDonough to correct this and check the records for any other omissions. John Maloney said that Bob Purifico had also not been awarded for his time on the BOT.

COMMITTEE REPORTS:

Management Committee – Eric Wolff, Chair

- CEO Evaluation:
 - Phase 1: an open letter to Chuck Cadle, to be completed by the end of this month
 - Phase 2 will be the ensuing conversation in response by the end of November.
 - Phase 3 will take place by next April, in accordance with the original timeline.
- Affiliate License Agreement:
 - Phase 1: Each affiliate will analyze the document and DIAD will seek free legal advice before the next meeting.
- Board Self-Evaluation:
 - A selection will be made from pre-existing evaluation documents and be distributed by the end of January, 2010.
 - The committee intends to create a more comprehensive evaluation document in the future.

Finance Committee – Pamela Schroeder, Chair

- In the spirit of cooperation and considerable investment to grow our organization, the Finance Committee felt a second summit meeting would be prudent.

Motion: The Finance Committee recommends to the Board that the costs for a fiscal year 2009-10 summit meeting between members of DI staff, BOT and DIAD, to be held in Cherry Hill, NJ, be split between DIAD and HQ, with HQ paying a maximum of \$1000.
Second by Rosemary Bognar Pinney.

DIAD President Eric Wolff expressed his gratitude for the friendly gesture and asked the cost of the first summit meeting, which was approximately \$1800.

Action: **Motion passed.**

Motion: The Finance Committee recommends that all donations administered by HQ on behalf of an affiliate will incur a ten per cent administrative fee. An affiliate must send in a timely request for reimbursement with proper expense documentation in order for HQ to disperse the funds so that expectations are understood and managed by everyone.
Second by Karen Anderson.

Val Conroy asked that the motion be accepted and moved to the Governance Committee for review. Karen Anderson explained that, if the motion passed, it would become a policy, be written as such and come back to the BOT for a vote. Bruce Urban asked if this would affect only domestic affiliates under the umbrella of the 501(c)3 status of DII and it was confirmed.

While an affiliate may accept local donations, a federal tax benefit can only be derived by donations to the legal 501(c)3 entity, not to its affiliates, even if they are registered as a charity in their own states.. The IRS requires that such donations be made to HQ and HQ cannot disperse such funds without proper documentation of related expenses, even though this may result in a significant time lag. This understanding of the law may spur affiliates to apply for 501(c)3 status. Some affiliates also mistakenly believe they are under the umbrella. Controller Joe O'Brien plans to contact and confirm the status of each affiliate.

If the motion is approved, the matter would go to the Governance Committee, be reworded as a policy and be presented to the BOT for a vote.

CEO Chuck Cadle suggested that more information be sent as a summary memo and that Controller be consulted on specific language to be used in the policy. He also suggested that there may be some liability if an affiliate accepted a donation without informing HQ and the donor claimed a related tax benefit. The IRS could question our exempt status if such donations were not duly reported.

Action: **Motion passed.**

- HQ would be putting out an RFP for a new auditor and determine the best candidate in accordance with our policy of seeking a new auditor every three years.

- Due to concerns and questions expressed by ADs, Chair Pamela Schroeder asked that the new affiliate recruiter program for this year be explained to the BOT.
 - CEO Chuck Cadle said that the business plan recognized that there were five states without ADs or AD candidates but there had been successful recruiting of teams by Construction Challenge Rally Leaders.
 - There was organizational risk by not increasing our team count.
 - As part of the Start A Team initiative, a one-year pilot program in non-AD states was created to find State Leaders, who would receive stipends and be required to reach specific milestones, to recruit teams.
 - Subsequently, the Idaho AD terminated the license agreement.
 - Controller Joe O'Brien reviewed the expected financial revenues and expenses of the five-state pilot project. It is assumed that many of the new teams will return in the next year within a traditional affiliate structure.
 - Rosemary Bognar Pinney reminded us of the greatly increased, costly marketing and other support efforts given to the existing affiliates this year.
 - CEO Chuck Cadle added that the intent in this project, as a portion of the business plan, is to seed interest in areas where we have no presence. Transparency and increased communication within the organization and, particularly with ADs, are important to all. As he has said many times, we should tell our story before someone else tells it for us.
 - Eric Wolff will send a summary of the meeting with information on the pilot program to the ADs.

Development Committee – Valerie Conway, Chair

- Most of the charter remains the same. The charges are:
 - To develop a network of financial and business growth opportunities for the corporation and to provide introductions with those contacts.
 - Shepherd the mission, vision and goals of Destination ImagiNation, Inc., by overseeing the corporate plan, by monitoring the plan implementation and plan effectiveness in achieving organizational goals and by continually recommending modifications and additions to maintain a dynamic system for organizational growth.

- The management of the endowment fund (all three charges are in the original mission and strategic plan).
- The change is the vision of the development committee as no longer just a fundraising arm but an arm to develop contacts that can be used for fundraising or for partnerships.
- The committee recommends approval of the fundraising document and wishes the staff great success in moving forward.
- The committee proposes that the BOT allow us to move forward with a multiphase strategic planning process to revise and update the strategic plan, as sent to the BOT yesterday. This will include re-looking at who we are, focus grouping, and pushing the issue that we see ours as a curriculum program, not a competition program. Other documents to be used prior to our next meeting are SWOT analysis and an appearances sheet.

Motion: The Committee recommends approval of the draft fundraising plan and any amendments that may be required to finalize it.

Second by Eric Wolff

Action: **Motion passed.**

Motion: The Committee recommends that the Board adopt the plan for re-design of the Destination ImagiNation® strategic plan.

Second by John Maloney.

Action: **Motion passed.**

Ad hoc Committee Report – John Maloney reporting for Andy Loftis

- The Committee was asked by CEO Chuck Cadle to create a vision of an organizational chart in order to better interact with the community as well as review his original organizational chart for DII.
- The Committee recommends that the BOT implement a liaison program where BOT members work with individual efforts in the organization so that they could be a spokesperson to the BOT as well as fund the BOT regarding those efforts. Those efforts are not limited to staff members and they refer to efforts such as marketing, challenge development and verification process and other issues.
- The Ad Hoc Committee recommends that CEO Chuck Cadle and Chair Brownie Mitchell use the BOT bio to partner the BOT members with appropriate hot spots within the organization. It is not the intent that the BOT manage any part of these efforts but just be a willing participant where help is needed and be a direct conduit of information on that effort back to the Board.

- The Committee will submit an example of a liaison plan from another organization but it does not recommend following the same plan.
- The Committee will submit a motion for approval at the next BOT meeting.

Governance Committee – Karen Anderson, Chair

The Committee recommends the following policy changes:

- Add to 12.0 Conflict of Interest Policy:
 - 12.1 Any Director, officer or key employee who has a concern that another director, officer or key employee has a conflict of interest should make known that concern to the Chair of the Board of Trustees. The Chair, if needed, will contact the corporation attorney for advice.
- Corporate Business Policies
 - 10.0 Purchasing Policy: The investment in physical inventory, supplies and capital equipment will be facilitated by the corporate purchasing agent consistent with established guidelines as developed.
- 1.1 Officers of the Board:
 - The Board shall elect a Chair and a Vice Chair at its summer face-to-face meeting. They shall assume their offices at the first meeting of the fiscal year. Terms of office are one year. The Board may elect other officers as it deems necessary.
 - Anyone wishing to put his or her name in nomination for Chair or Vice Chair shall make known his or her intention to run to the current Board of Trustees no less than two weeks before the Board Meeting.
 - ii. Contested elections shall be by secret ballot.
- 4.0 Board of Trustee Meetings:
 - The Destination ImagiNation Inc. Board of Trustees shall meet together a minimum of four times annually, one of which will be held at Global Finals. In addition, monthly teleconference meetings will be held as needed.
 - Agendas for scheduled meetings, as per the bylaws, shall be sent to all Board Members five (5) days prior to meetings. All other necessary materials required to conduct business will be made available to each board member at least five (5) days prior to each regularly scheduled meeting. A tentative agenda for the annual

meeting will be posted to the DII website no later than three (3) days prior to the meeting.

- Note: Policy 10.2 Board Selection Process has been tabled to the next meeting.

Motion: Karen Anderson moved that the above mentioned policy changes and additions 1.1, 4.0, 10.0 and 12.1 be adopted.

Second by Eric Wolff.

Action: **Motion passed.**

- The Governance Committee recommends the appointment of an additional Board member from outside the DI world to assist in the area of business development, with a two-year term ending in September, 2011.
- We recommend that the selection be from the two prescreened candidates who previously applied to the BOT. We ask that the Governance Chair send out copies of the candidate applications to BOT members to consider.
- We would like to send an announcement as follows: The BOT announces that we will be increasing the board by one seat with the appointment of a trustee for a two year term ending in September 2011. The BOT is currently screening candidates from the excellent candidates who applied in the spring of 2009. This appointment is consistent with our identified need for an individual from outside the DI community with specific skills in business and development. This additional seat does not require a bylaws change and is in line with our plan to fill the available seats on the board in an incremental fashion.

Motion: The Governance Committee moves that we appoint an additional Board member from outside the DI world to assist in the area of development. The person would have a two-year term ending in September, 2011. We recommend that the selection be made from the prescreened candidates who previously applied to the BOT. The Governance Chair will send the applications to the BOT for consideration, with the election to be held at the next Board meeting. Additionally, I move that an announcement be sent out on the proposed appointment.

Second by John Maloney.

Action: **Motion passed.**

- The announcement will be sent to the web and to the ADs.
- Currently, the policy concerning the Endowment Fund requires that monies received without specific

designation go into the Endowment Fund. Should the policy be rewritten to designate that monies go into the general fund unless specifically designated?

- After discussion and general consensus of the Board of Trustees, the Chair directs the Governance Committee to rewrite the section of the policy such that all contributions not specifically stipulated will go into the general fund.

2:50 p.m.

Motion: John Maloney moved to adjourn.
Second by Johnny Wells.

Action: **Motion passed.**

Respectfully submitted by Susan R. Oclassen