

**AWCI Board of Directors Meeting
Mid-Year 2008 Minutes
Saturday, February 9, 2008 at 8:30 a.m.**

Present:

Dennis Warner CW21, President
James Sadilek, First Vice President
Tamara Houk, CW21, Second Vice President
Matt Henning, Secretary
Jack Kurdzionak, CW21 Treasurer (IAB Director)
Glenn Gardner, CMW, Director
Ron Iverson, CMC, Director
Lloyd Lehn, CC
Doug Stuart, Director
Dan Spath, Aff. Chapter Director
Paul Wadsworth, Parliamentarian

Staff:

James E. Lubic, Executive Director
Lucy Fuleki, Assistant Executive Director
Tom Pack, Finance Director

Guests:

Scott Gilligan, Legal Counsel
Dale Coates, Johnson Investment Counsel
Jim LaChapelle, CC21, BOE
Wes Grau, CW21, Chair BOE
Jerry Faier, CC21, Chair Ed. Committee
Henry Kessler, Chair of Publicity Committee

Directors Absent:

Jim Door, Immediate Past Present
Elbert Lewis, CMW, REC Director
Jim Zimmerman CMW, CMC, CMEW
President Warner opened the meeting and asked for the invocation.

Invocation: Director James Sadilek

Salute to the Flag: Lead by Director Doug Stuart

Roll Call taken

President Warner thanked all for attending, and introduced a few of the guests. He then ran through the meeting procedures.

Minutes of the ELM Trust. The minutes and financial information has been provided in the packets. Jack Kurdzionak asked why no meeting was scheduled for this weekend. Jim Lubic explained various things as well as the scheduling conflict and that he made a decision not to convene a meeting.

Minutes of the Annual Meeting. They are in the packet and were approved by the Board of Directors earlier in the year.

Executive Director's Message

Jim Lubic stated that he would offer most of his comments as committee reports were given. He then gave an explanation of the construction going on around AWCI. A new pole building housing a woodworking business has been constructed across the parking lot. The design of the building does not follow the dictates of the developments covenant, and we are currently working to force changes through legal means. Lubic outlined recent staff changes: Heather Weaver, and Manuel Yazijian have both left AWCI. Lucy Fuleki has chosen to retire and will be leaving us at the end of February. Tom Schomaker replaced Manuel as AWCI's watch instructor and is now up and running in the position, and the students seem very happy with his performance. Daniela Ott has been hired to take over Heather Weaver's position. Jim also noted that the bond interest rate on AWCI's building loan has dropped from 5.57% to 3.39%. This resets weekly, and this change represents a savings to AWCI.

Perpetuation Fund Report.

Dale Coates of Johnson Investment Counsel, Inc. addressed management of the Perpetuation Fund. JIC manages over \$4 billion. JIC has helped develop a good strategic investment policy statement to guide the fund for the future. He believes we are in – or approaching- a recession. It has been five years since the last one. Economic growth is waning at the moment. Opportunities for long-term investors are greater than they were. The key is to time the market's fluctuations in order to maximize the gains as we continue to reinvest our Perpetuation Fund. This is never easy, but that is the intent. He outlined various points in the policy statement. This outline included a comparison of how are previous investment strategy performed, and how it might have performed had we made these changes earlier. The goal is to earn an approximately 8.5% rate of return, while only spending about 5.5% of the income. That way the fund's growth is able to keep up with inflation. Overall the investment strategy is fairly similar to those of the majority of similar associations. The long term goal would be to begin using less and less than that 5.5% of that return so that the fund can grow faster. There is a list of prohibited investments. Johnson also tends to invest for the long term, not trying to buy and sell for short term gain.

Stuart asked if he considered this an actively managed portfolio. Coates said yes. In response to a question by Henry Kessler, Jack Kurdzionak described how the JIC had been selected. Six firms were interviewed last year at the annual meeting. The

Perpetuation Fund Committee then selected from that group. The candidates were chosen from recommendations from various sources. Once Johnson was chosen, they worked with Lubic, Pack, and the committee to develop the investment policy. They took control of the fund in October of 2007. Perpetuation Fund members and Board members can go online with a password and follow the fund.

Lloyd Lehn asked about the fee payment procedure for JIC. Coates said it is a fixed percent of the assets, less than one-half of one percent paid annually. It is also paid in arrears. Should any assets be added to the fund some where in the middle of the billing cycle, the charges for that money would be established on a prorated basis.

Stuart commended the parties involved in the Perpetuation Fund investment and suggested that this success story needed to be told to the AWCI membership. Mr. Coates left the meeting at 9:52am

President Warner addressed the question of conflict of interest because Jack Kurdzionak is member of NAWCC's Finance Committee and is also a Treasurer of AWCI. Scott Gilligan said when there is a potential conflict, the director must make that known to the Board. A decision must then be made as to the magnitude, whether a conflict exists, whether there are times when the director must recuse himself etc. Jack Kurdzionak said that he did notify the Board of his non-voting position on NAWCC's committee. He explained that the organizations are two separate organizations and have different members, they are not in active competition and he does not see conflict in any way. Lehn asked who had brought this to the board as a possible conflict. Lubic said that this is part of the Exec. Director's job, and that he's only bringing up so that we are sure to consider it one way or the other. Gardner and others commented that his participation with NAWCC is a positive thing as it enables us to learn from them, and find ways to manage AWCI better. The board determined following discussion that there was no conflict of interest. Paul Wadsworth said the Constitution Committee found no conflict of interest.

Finance Committee Report: Jack Kurdzionak explained that on Jan. 30 he did not have information any more current than Oct. So he could not give a particularly up to date report. The Committee will meet again in the spring. The Committee has a couple of things it would like to do, but is not offering them as motions: They would like to review what the auditors currently check in the auditing process. They would like an up-to-date listing of the assets of AWCI. This would include the contents of the building etc. President Warner said the Board would like to know the net worth of AWCI. Henning pointed out that some of this type of information is available on the website. Lubic said that he would most likely create this report by consulting similar documents created for financial, insurance, and auditing purposes. With regard to the ELM Trust, Lubic said the only museum items detailed are those valued at \$500 or more and this list is submitted to the insurance company. Lubic explained how the museum's collection is reevaluated periodically. Warner noted that the ELM Trust is really a separate issue than what we are addressing here.

Henning said that figures used for financial purposes, auditing purposes and insurance purposes should be provided to the board, and we would start from there. These figures are to be provided to the board this weekend except for the auditing statements which will take ten days to retrieve from the auditors. He also noted that the intent behind such questions from the Board, which are on the increase, are due to the board waking up to what its duties really are.

Sadilek raised the issue of the cyclic nature of some of our revenues and expenses and wondered why we continue to create the budgets in a linear fashion. For example the dues on the budget are divided equally from quarter to quarter, but in reality it is known that the dues spike in Jan. and Feb. This makes it difficult to really know where we are with income. Tom Pack wanted to know which items we would want scaled, how much detail, etc. Sadilek thought that would be up to the Finance Committee, as it was a comment in their report that he was calling attention to. Jack felt that Tom should be able to do this based on a common sense approach, choosing to make adjustments to the more significant line items, but leaving things such as 'snow plowing' alone since it would probably balance with 'lawn mowing' and creating a exterior maintenance line item that is fairly linear.

Sadilek asked why his dues check took 33 days to process. Jim and Tom explained that the staffing changes outlined in the Executive Director's Message all hit at about that time in the year. AWCI found itself very shorthanded and it was scrambling to keep up. Warner asked Stuart and Gardner to go over the Nominating Committee report to sort out whether the proposed procedures are to be presented to the Board as a motion for approval, and also asked the Board to look over the names on the slate of candidates and see if there were any objections (while we are on the break).

Warner called a break until 10:45.

Finance Committee Report Continued:

Gardner asked for the current status of the due income. Lubic reported that as of Feb, 7 the dues total was \$253,294 and at that time there were 1998 members. 2952 members were billed, 897 have not paid. There have been 57 formal cancellations, 13 of those are deceased. Most folks canceled due to retirement, some felt the institute was not providing what they needed. 204 individuals donated \$5112 to the ELM Trust along with their dues.

President Warner asked about the amount owed to AWCI by ELM Trust and Tom Pack replied \$24,000.

Lehn asked why the dues money isn't being placed into an interest bearing account. Pack explained about our use of a revolving loan to smooth our cash flow. As income comes in it is paid into that loan because the interest rate is higher than we could earn in a back account. He said that loans on the building are just under \$700,000 and the revolving line of credit is down from \$300,000 to around \$200,000.

Kessler suggested given net worth that we should be able to use reviewed financial statements as opposed to audited statements because this could save us around \$1000 a month. The audited statement is the most expensive and about all you get is a paragraph that says something like 'this is the auditor's qualified opinion....' Which doesn't do much for us, and the reviewed statement is otherwise pretty much the same. To change this we would have to change the Bylaws, and Pack will need to consult our lenders to see if this would be acceptable.

Lehn asked that with the staffing changes what would happen to that money. Jim Lubic said they would be looking into it, and that they will have to consider what aspects of Lucy Fuleki's job will still need to be done during this fiscal year. He also suggested that the cuts made earlier might be restored. Lehn said he would like to see the money go into a holding pot since it is no longer a salary item in the budget. The wording of the following motion was discussed:

Motion 24: Made by Lehn, and seconded by Gardner

Move that the budget be amended by 1/3 portion of the Assistant Executive Director's salary to be removed from the 2007-2008 salary expense.

Motion 24 was immediately referred to the Finance Committee for consideration prior to Board approval by President Warner.

Lubic asked Scott Gilligan to address the issue of making salaries public. Gilligan summarized that typically the salaries are kept private, or within a smaller group of individuals on the board because not doing so opens the institute up to lawsuits. If the information were made public, there would inevitably be conflicts with the staff. He concluded risks of making the information public far outweigh the benefits. Warner said that the information was shared with the Finance Committee last year. The Executive Committee only has access to the salary of the Executive Director. Kurdzionak said that the members of the Finance Committee felt that all of the salaries were reasonable, that no one is getting any special deal or anything like that.

Kurdzionak asked about any outstanding accounts that we may have to write off as a loss. Pack said there were a few advertising payments that are outstanding, and they are still trying to chase them down.

Nominating Committee Report: Glenn Gardner said the nominating process was well done, that Alice really knows what she is doing. At one time there were 10 people nominated, one then withdrew. Each of the remaining nine nominees was contacted by each of the committee members for an interview and to make sure their duties were explained to them. He said the process should continue as it is very valuable. He then offered a motion to accept the slate of Nominees.

Motion 25: Made by Nominating Committee, no second needed.

Move to approve the following slate of candidates for the 2008 Board of Directors election:

Tom Payne
Lowell Fast
Ernie Tope
Doug Thompson
Ron Iverson
Gene Bertram
Fred White
Mike Gainey
Manuel Yazijian

Roll Call Vote: Passed unanimously. Iverson abstained.

Stuart took over the next part of the committee report. He reminded us about Motion 14 to establish a written procedure to select among the pool of nominees to pick the candidates. He said there are two pieces to the process. The first is the verifying that a candidate meets the qualifications which are spelled out in the bylaw - things like being a member of AWCI. The next part of the process is the selection. It is needed because there often can be more nominees than we have ballot slots. So the committee needs some way to pick the best people to fill those final slots. How do you establish some objective criteria around that? Stuart offered the motion on behalf of the Nominating Committee for the Board to review. He noted that Alice had offered this as a "Draft motion" to the board, and takes that to mean that the Board can either accept it, or suggest changes.

Stuart added that the proposed process still retains that human judgment factor, which Alice Carpenter felt was important, but it articulates an objective standard which has not existed before. Wadsworth feels that it covers everything very well. Kurdzionak pointed out some inconsistencies between the wording of this motion and the bylaws. It was felt that the wording should be touched up a little bit. Kurdzionak also asked about the idea of using some sort of background checks. Stuart pointed out the costs involved. Lubic didn't think that there are any positions on the board where one person can really influence the outcome, so this kind of caution isn't really needed. It was also pointed out that the Board does have the ability to remove a Director if it is felt that there has been wrong doing. Wes Grau felt that a candidate should have a vested interest in the institute, or industry. He gave holding a certification as an example, but is primarily interested in having people who have direct understanding of the industry and trades. Henning felt that it is more important to choose someone who might have other expertise, such as business, or marketing experience because there are usually a majority of directors on the board who have the trade knowledge.

The proposed motion will need to be revised somewhat and will be brought forward later in the meeting.

Education Committee Report was given by Jerry Faier, Jim LaChapelle, Wes Grau.

Jerry Faier reported that they have had a few challenges to failed examinations, and that the BOE handled them fairly, and that the system works. He said that they had quite an agenda for their meeting yesterday. He said the standards for the watch section are being reviewed. He said some changes were pretty much just basic editing, and didn't think all of them would need to be approved by the Board. He said that there are things they want to add such as a 10th point to the clock standards to include issues related to lantern pinions, and that would require Board approval. He said the committee understands that they need to keep the financial issues in mind as they develop the certifications, and pointed out that the committee feels that the actual profit center here will be in the educational courses derived from the certification. He addressed the concern about the failure rate on the CW21 exam. He said that the people taking the test are not stupid people. He said the predominate problem is simply sloppy work... not taking the care required for quality service, and this test will ferret things like that out. He offered two people for approval to the BOE:

Motion 26: Made by Education Committee, needs no second

Move to approve the selection of Harold DeSousa to the BOE.

Voice Vote passed unanimously

Motion 27: Made by Education Committee, needs no second

Move to approve the selection of Gerhard Loetz to the BOE.

Rationale: He is the technical director for Richemont, and would act as an industry technical advisor.

Voice Vote passed unanimously.

Lubic said the JCK grant did not come through for the WT certification program. Further means of providing funding will have to be pursued, and he's doing some work with Henry on this project. Faier pointed out that there are other industry entities developing a WS type of program, and this is something that we need to get moving on ASAP. Stuart asked what is really needed to get this going. The answer plainly was money. How much? Faier said it is hard to put a number on it because there is a lot of back and forth as to what the WT and WS really are. Once that's ironed out, and written down, we will be able to develop an idea of what it will cost. He put out an appeal for writers. Stuart wanted to verify that it is not the Board that is providing the blockage here. Lubic said no, that it is primarily a manpower issue. He also said that we're working with Rolex to develop a new curriculum at the school in Okmulgee and hopefully this will help with the development of the WT, and that perhaps this program could be implemented in the rest of the REC schools. He said that AWCI itself doesn't want to compete with these schools. It wants to get them going with the larger curriculums, and concentrate its own efforts on continuing education activities. Henry asked about being able to sell separate segment of this training. It was explained that we would, but that there would be a

prerequisite system set up. You wouldn't be able to take part 5 without taking part 1. The consensus was also that you would not get the final certificate until you passed all the segments, and the exam. Faier said that his discussions with possible employers for this type of worker have shown that there is a great demand. Henry suggested the committee divide up the tasks, and publish a list and ask people to sign up to pitch in. Henning noted that they need to be specific, that he can't just volunteer to write without knowing exactly what it is that needs to be written. Wes Grau introduced the following motion:

Motion 28: Made by Education Committee no second needed

Move to amend the Watch Standards and Practices to reflect the following:

There will now be a \$100 nonrefundable fee for signing up for the exam.

The following fee schedule will be used to assess charges, and allot time allowed for any portions of the test that must be retaken

Written Portion \$150 3 ½ hours

Quartz \$200 5 hours

Micro mechanical \$200 4 hours

Automatic \$350 9 hours

Chronograph \$700 10 hours

Also: "The opportunity to upgrade the original CW or CMW to the CW21 and CMW21 will end by December 31, 2008. If a person wanting to upgrade wants to reserve the opportunity they may do so by paying a nonrefundable reservation fee of \$300.00 by December 31, 2008. This \$300 nonrefundable fee will be applied toward the current fee structure when the candidate actually sits for the exam."

Rationale: AWCI needs to begin charging for retaking the exam, and a clear fee schedule needs to be established. AWCI also needs to begin closing the door to the old stuff, so that we can simplify the system and begin moving into the future. After Dec. 31, all who want to attain the CW21 will have to take the full examination if they haven't reserved a spot in a future exam with their \$300 deposit.

Discussion: It was pointed out that if for some reason AWCI could not find a spot for that person to take the upgrade exam until after 12/31/2009, then we would make the exception and allow the exam to be taken when it is possible.

Tamara Houk asked how many people would be affected by this. Jim Lubic said there are 105 in 50-59 age group; 33 in the 40-49 age group. Inactives were 29 and 20 respectively. He estimated that 55-65 individuals would be interested in taking the retake. Jim Sadilek asked if there was a date at which free retakes of the exam will end, and was told April 1st of this year.

Stuart asked if we make money on these individual price points. Faier said that at this point, yes we are. The problem is that our costs change when things like the actual

movement costs change, so these things might have to be revisited. He also said that if we find after running the exam that we are not making money, we will revisit the charges.

Voice Vote: motion passed unanimously.

Faier said that they've surveyed a number of folks currently holding the older CC and found that they would not be interested in upgrading to the CC21, and would be more interested in going to the CMC directly. Therefore no CC21 upgrade exam will be available. He said they are done with the first 2 of 3 sections of the prepilot exam for the CC21, and are now working on the 3rd. He said that they plan to set up the same sort of fee schedule for the clock exam as was just done for the CW21. He quickly went through the potential expense and income scenarios provided in the committee report and outlined some of the things that affect these numbers. He also explained that there are risks inherent in the clock industry because both Howard Miller and Hermle are struggling. This may adversely affect the availability of the movements used for the test. Kudzionak asked about the idea of using Chinese made copies of Hermle movements, Faier said they may have to consider that. He said the current plan is to charge \$750 for the exam. They are hoping to have the exam ready to go by April.

Faier wanted to make the point that the watchmakers actually have an industry. The clockmakers on the other hand are quickly losing their 'home'. He says the clockmakers see us spending all of our resources on the Watch Certification, and feels that it is time for AWCI to stand up and declare its support for the clockmakers which make up 40 to 45% of the membership. He asked that the Board formally recognize the efforts of the clock making community of AWCI by adopting the following language:

Motion 29: Made by The Education Committee no second needed

"The BOD recognizes the aggressive effort of AWCI's clockmaking community in their efforts to advance the clockmaking profession. We endorse the work of the clock section of the AWCI Education Committee to produce a top-notch certification program and will work to provide full funding for the completed program by the Annual Meeting 2009."

Rationale: Faier said that AWCI will need staff, and equipment to do this properly that we simply don't have right now. He said that it is a serious commitment and that it is time for AWCI to stand with the clockmakers as it has with the watchmakers.

Warner asked to hold the discussion and called the lunch break at this time since we are running into other conflicts.

Discussion: Faier wanted to add that there are approximately 60 people wanting to take the CC21 exam. Some of them are not members which means that the information is getting out. He said that he would like to see the above statement be incorporated into the President's monthly statement in HT.

Sadilek asked what "program" included and when Faier mentioned staff, Sadilek said that was the problem and there is no money for it at this time. Stuart said the proposal asks the

board to support something without being able to quantify what it is or what it will cost, and that there is no money to support another full-time staff person. Stuart pointed out that if we add a staff person the expense numbers presented earlier won't cover that cost, and once again we would be subsidizing another program. Faier countered that we currently subsidize the CW21 with the employment of Tom Schomaker. Henning pointed out that we also subsidize HT, and that doesn't really make it right, and are we ever going to learn from our mistakes?

Lubic explained that at times in the past we have tried to roughly estimate the amount of time that someone spent on a given task, and then figure that cost into to the cost of the overall activity. He said that we've never actually put together the total dollar amount of what it costs to service a member – what it costs for AWCI to be here in order to provide the service for which a member pays dues. He said that just like anything you join, you join because of the perceived value in whatever the benefits are. So if someone joins AWCI for \$125 a year, everybody gets access to benefits like the magazine, the website, tech info, insurance, courses etc... whether they physically use those benefits or not, it costs money for AWCI to maintain the existence of those benefits so that they are available on demand. For that reason, it makes sense to lump the cost for staff, for the building, for insurance – the cost of all the things we need just to do business – into a general lump amount, then divide that amount by the number of members, and that result is the dues they should be paying. He believes that if we were to do that, we would find that the dues share that each member should be paying is around \$150 or \$160. Given that dues are \$125, we are currently subsidizing each member by about \$35 by using the Perpetuation Fund income. Once that basic 'cost of doing business' is covered by the dues, we can begin charging extra for a course, or for certification, or for a book. This greatly simplifies the calculation of what a specific program might cost to produce.

Henning wanted to make it clear that if we had the money, we'd give it freely, without question. He said that currently AWCI has no portion of its business making money to support the other things we are trying to build. That it doesn't make sense to run any business that way. He is hesitant to support this motion because if we approve it, then we have to make it happen, and we aren't sure that we physically can.

Faier said the motion is not worded to force the board to fund the program but that they work toward it and by passing the motion send a message to the clockmakers that they support them. It isn't the intent of the clockmakers to bankrupt AWCI... it is simply wishing to get some assurance that the board is going to follow through with the CC21.

Voice vote: Motion passed 7 to 2

Voting Yes:

Spath

Kurdzionak

Henning

Iverson

Gardner

Houk

Lehn

Voting No:

Stuart
Sadilek

Horological Times Committee Report was given by Director Ron Iverson. He said the main problem continues to be getting articles written. He said they have started running old articles and some are quite good and newer members now can see them. Stuart said that he saw nothing wrong with this practice as long as it is clearly marked as from the archives. Kurdzionak questioned whether the publishing of lists of old members, new members, and certified members was perceived by the membership as a way of filling space. Wadsworth said that publishing this information was requested by the affiliate chapters. The value of having the HT available online was discussed along with the costs that would be involved in providing it.

Kessler asked what would happen if we were able to say to our advertisers that the magazine would be bound with one of the other large-circulation magazines, and that for this issue, the circulation would go from 3000 to say 20000. Would we be able to increase the advertising charge? It would easily cover the extra cost of publication. The other publication would be sent to the AWCI membership as well. He also asked if we ever send press releases to other magazines. Lubic said that there are times when we do that. Henry noticed that if he kept talking it would likely be a project to end up in his own lap. They are also looking into doing another special issue like was done for the JCK show coming up.

Lubic said he was approached about including a separate glossy brochure in with our magazine. They would print the brochure and provide to us, but he wondered what we would charge for that. Kessler said that magazines usually charge based on they're standard black and white page rate. So if it's a six page brochure they would be charged for 6 pages. He suggested that we try to make that a more regular occurrence because it might generate quite a bit of revenue. We do have to pay attention to the postal regulations so this will need to be studied a little bit more in depth.

Kessler asked about scanning the magazine or a book and putting it online. All agree that is would be a great idea and has come up before. It's just that we keep running into the cost and manpower problem.

Membership Committee Report The committee recommended that a minimum of 25 member brochures be sent to the REC schools, affiliate chapters and IAB members as a matter of course as soon as their dues are paid in full. Lubic said that could be handled without requiring a motion. He suggested giving students a free membership in order to get their address after leaving school. Lubic said Richemont pays a student full-year membership currently so there would be no additional costs. This is intended to address the problem we have with getting their forwarding address. They leave school, and drop off the face of the earth, and the school won't give us their information. So by offering the free membership for a year, we would provide them with a card at graduation that they simply need to fill out and send in when they get settled in their new job. That way we might stay in contact with them.

Convention Committee Report Lucy Fuleki reported for the committee. She said the St. Louis Crowne Plaza has been selected as the hotel after site inspections were performed by Gene Bertram. The meeting will take place from July 31 to August 3rd. Terry Kurdzionak mailed a postcard to prospective exhibitors inviting them to hold the date of August 2nd. We have about half the speakers lined up. The site for the Friday night ELMTrust meeting has yet to be selected, and we are running into problems due to the expense – the art museum wanted about \$1100 an hour. So they are still working on that. Lubic said the Borel intends to be there, and they are trying to arrange for Bergeon to attend the convention and possibly JCK as well. It is hoped that they will offer a presentation. He said that they're working on filling in for Lucy but don't have a solution yet.

Publicity Committee Report Henry Kessler reported that we need to collect data about the watch industry to develop a press release. He wondered what the procedure is for approval of any such press release. It was explained that the Board would not need to approve that... and that Lubic and the staff could handle it. He said that Greiner/Vibrograph is planning to send someone to work the JCK show, and suggested that we provide them with material to help them publicize that fact because it helps us as well. He asked if there was any interest in exhibiting at the Atlanta Jewelry Show or the New York show, and was told that we should probably just stick with JCK for now. He asked about the idea of offering a seminar. It would take some work to do but it might go a long way toward promoting AWCI. Perhaps it would be educational, or maybe we would invite a VIP to speak at the show. This would be in addition to the booth, and that we should work on it for the show after this coming. Kessler asked if we would need a motion to implement that. Warner suggested that his committee could probably work most of it out on their own. He suggested we might ask JA to sponsor a seminar. Kessler asked Lubic about the status of our relationship with JA. Lubic said we do have some interaction with a few of the people over there and things are generally decent. Henry wondered if we could partner with them to develop the WS. Lubic said that they might be more inclined to help us with the marketing and delivery of the programs. They may also want to talk to AWCI about a dual membership type of program, but that this is just talk at this point.

There was general discussion about updating the AWCI logo, or shortening the name of the organization... that current marketing thought is that long names and acronyms aren't very recognizable. That is known to be a big can of worms and was not seriously considered at this time. It is understood that AWCI stay open to different ways to update its image.

Honor Awards Committee: Jim Sadilek reported for the committee. He said that there are a lot of changes to the policy manual needed to update the Honor Awards language. The goal given to the committee was to develop written criteria to be used for the selection of awards. The Education Committee would like to have a high score award on the CMC, CC, CMW, CW. Warner asked if it would be tied into the Dick Lang Award, and Sadilek concurred. Sadilek noted that we should remove the award for the high score on the CMEW which is no longer offered. He also noted that the Lifetime Achievement Award has been given but doesn't appear to actually exist in the Bylaws or Policy manual. He suggested an Appreciation Award be added to the awards. The motions will

be presented later in the meeting once the final form has been established.

Strategic Action Committee: The report was given by Matt Henning. He said that there were some complaints that the report didn't contain much in the way of an action plan. The reason for that is that it is too easy to sit down and conger up a bullet-pointed pie in the sky plan. The SAC should have the ability to research a plan before it is put into action, and it should absolutely take the time to research such a plan. He offered Jerry Faier and the clock certification as an example where Jerry feels this urge to come in and justify the existence of the certification year after year. If properly done, the project will have been adequately justified from the outset, and Jerry would simply have to move forward with it. He noted that a strategic plan can be a dangerous thing in that if it isn't well thought out, it could be implemented anyway, and we could find ourselves at a dead end. The committee should be doing research before making such suggestions, and it would like to have money earmarked in the budget to be used for that purpose. They also feel that strategic planning should be a constant ongoing process. The most immediate use of such funding would be to investigate the idea of developing a program by which we seek private donations to fund our activities. The committee offered the following motion:

Motion 30: Made by the Strategic Action Committee no second needed.
Move that the Board of Directors and the President direct the Finance Committee to crate an expense budget specifically dedicated to strategic planning for the purpose of conducting the research necessary to generate a well founded strategic plan.

Rationale The current recommendation to develop a new revenue stream based on gifts and donations to AWCI will require expertise that we currently do not have. Such a program would be of enormous value to AWCI and the Strategic Action Committee feels that it is worth the expense and effort. In future years this money should continue to be available to cover any costs related to the research and analysis of any future endeavor for the purpose of verifying the viability of such an endeavor before funds are spent on the project itself.

Discussion: Henning relayed that this motion came about when the chairman of the committee, Ernie Tope suggested a motion asking the Board to spend \$10,000 on this research. Henning knows that the board doesn't have the discretionary money to spend, so such a motion would be guaranteed to fail. The right way to go would be to think ahead, and offer a motion to create an ongoing budget for the future, so that there would be money available should it be needed.

Kurdzionak asked if creating a general discretionary expense line for the board would suit the need? Henning felt that this would likely result in the money being spent on other things long before the SAC might get a chance to ask for it, and that with this type of line item, if the Board came to the SAC and asked for the money because of some other crunch, the SAC would most likely agree to let the money be used elsewhere. Kessler said SAC should be able to investigate a dream to see if it should become a reality. He noted that over and over there are damn good ideas, that everyone agrees that they are good ideas, and it doesn't get done because the money isn't there. That's why

we want to look at this funding strategy. He said that if we were fat and happy, none of this would be an issue. Stuart said the Strategic Plan is the big picture and needs to be done by people who know the industry, the institute and have a lot of outside vision and half the committee doesn't turn over every year. It must be taken very seriously, and that the best people we can find should be assigned to the committee. Lloyd Lehn agreed with Stuart and noted that a five year old vision is too old, that it should be updated constantly. Henning agreed – that this should be a process of constant scrutiny and fine tuning so that the plan always reflects the most up to date knowledge. Kurdzionak asked how much would be a workable amount for this expense. \$10,000 was suggested. Kurdzionak said that they would take that suggestion and try to implement it during the budget meetings. They'll see what they can do, maybe they can do \$10,000, maybe less, but they need to the hole to put it in order to do it all. Henning explained that this is the proper first step – asking that the money be made available for next year, rather than just coming in and demanding the money for this year. Sadilek asked if the money is in there, does the SAC have to come to the Board to get the money approved? Henning thought the committee would probably seek the approval of the Exec. Director because he should have the authority to make that decision. Warner asked for any discussion directly related to the Motion itself, then called for a vote.

Voice Vote: Motion passed unanimously.

Ethics Committee Report No report has been provided. President Warner expressed his dissatisfaction with this. He feels that if someone accepts a position, and makes a commitment, then they should follow through on them.

Case Mark Committee Report The committee said it would like help from the Publicity and the Strategic Action committees in getting the word out to the people. Kessler asked what a case mark is. Warner gave a brief explanation. Kessler felt that this could provide an extra value to the consumer, and it would provide extra publicity for the organization. He said he would get in touch with Jon Horton. Stuart wondered if this is really viable. Is a law enforcement department is looking at dead bodies, do they really care about the watch. Many relayed evidence that yes, they do when they are aware of the case mark's existence. Kessler suggested a press release to various law enforcement magazines.

Member Forum Committee Report Doug Stuart reported for the committee. He said the charge of the committee was to clean out the list of AWI-Matters users and drop the inactive members. He said Lloyd Lehn did a great job of reorganizing the file section of the forum. The moderators in the committee decided to have members fill out a Yahoo profile and have their real name and where they are from as part the profile. The forum currently has 466 members, less than they started with, but with a high degree of confidence that they are real members. The committee is working with headquarters to get names of new members so they can be invited to join. It costs us next to nothing to operate AWI-Matters and it is a wonderful member benefit. Lloyd Lehn was complimented for providing the forum and acting as moderator. Sadilek congratulated

them on doing such a good job, and Henning thanked them for slapping him and setting him straight back when he suggested killing the forum last August. Kurdzionak asked if the Forum would allow campaigning on AWI-Matters. Stuart and Lehn said that would be fine as long as they follow rules of forum. Kessler asked if it was possible to use the email list for other marketing purposes. It was explained that AWCI maintains a separate email list independent of AWImatters that we might use for marketing purposes. That's about 2200 email addresses. We can't release it but we might be able to use it on occasion. Lubic said that we really need to be selective about how we use that because he gets a lot of complaints.

Stuart asked that AWI-Matters be promoted in the President's Message in the HT. Lubic reported that the IAB meeting presented a possibility of a revenue generator with endorsements of products. The idea being that we would test the product, and if we approve, we would provide an endorsement and this would be done for a fee. Gilligan said that it would be better to conduct the tests and then send a letter that says it was tested under 'x' conditions, and fulfilled criteria x, y, z... rather than giving a blanket endorsement. Kessler was concerned about bias because you would only give the endorsement if you got the fee. Stuart felt that in our situation it is important for us to focus on our core competencies. The board decided not to take any formal action on this at this time. Houk said that she agreed with Lloyd Lehn that there might be some liability issues. We used to do HT articles reviewing specific tools but that's different from offering a manufacturer an endorsement for the product.

Meeting adjourned until Sunday Morning.

Sunday February 10th 9:15 AM

Present:

Dennis Warner CW21, President
James Sadilek. First Vice President
Tamara Houk, CW21, Second Vice President
Matt Henning, Secretary
Jack Kurdzionak, Treasurer (IAB Director)
Glenn Gardner, CMW, Director
Ron Iverson, CMC, Director
Lloyd Lehn, CC
Doug Stuart, Director
Dan Spath, Aff. Chapter Director
Paul Wadsworth, Parliamentarian

Staff:

James E. Lubic, Executive Director
Lucy Fuleki, Assistant Executive Director
Tom Pack, Finance Director

Guests:

Wes Grau, Chair BOE

Directors Absent:

Jim Door, Immediate Past Present

Elbert Lewis, CMW, REC Director

Jim Zimmerman

IAB Report Tamara Houk reported that they were talking about ways to move forward on the WT. It doesn't look like collaboration with OSU to the extent that we hoped for is possible at this time. Lubic reported that the material house people are really wanting a battery training program. He said that we might be able to put together a course held here, but when it comes to a traveling course, or a seminar at a convention, that's not something we are able to do at this time for lack of manpower.

The Board took up the actions recommended by the Honor Awards Committee at this time. It was also noted that any reference to Lifetime Achievement Award in the Policy Manual or Bylaws is to be removed from the directory by the office staff, because it doesn't actually exist.

Secretary Henning introduced the following in rapid succession:

Motion 31: Made by Honor Awards Committee, no second needed.

Replace text of Bylaw Article 16, Section1 with the following new text.

Fellow AWCI

Sec.1: The Honor Awards Committee shall receive suggestions for candidates for this award by any AWCI member in good standing. The nomination will be submitted in writing to the Honor Awards Committee not less than 90 days prior to the Annual Meeting. The written suggestion will outline the reasons why this person is worthy of receiving the award. The committee may make a selection of one (1) candidate to be presented to the Board of Directors together with the details of the committee's reasons for selecting the individual. The Board of Directors will, by secret ballot conducted by mail, vote on the committee's nominee. If the candidate receives a minimum of 80% affirmative votes from the total number of Directors, the title of FAWCI shall be awarded to the candidate.

Sec. 2: The Honor Awards Committee shall not be obliged to present a candidate every year, and no more than one (1) person shall be selected in any year.

Sec. 3: Presentation of the award shall be made at the AWCI Annual Awards Banquet following the candidate's selection.

Sec. 4: A person selected for this award shall:

(a) Be entitled to use the designation FAWCI or "Fellow – American Watchmakers-Clockmakers Institute".

(b) Receive a pin and plaque especially designed for this title.

(c) Receive an Honorary Life Membership in the American Watchmakers-Clockmakers Institute.

Sec. 5: The following criteria shall apply to those persons considered for the award.

(a) The primary criterion for bestowing this award is that the person chosen will have made an outstanding and meritorious contribution to the field of horology on a national or international level. Specific fields of endeavor to be considered, but not limited to, may be in writing, education, scientific research, or the development of a significant horologically related invention or improvement.

(b) The recipient of the award need not be a member of AWCI.

(c) Superior artisanship alone, such as the fabrication of a watch or clock, or the restoration of a historic timepiece, should not be sufficient to justify this award.

(d) The Honors Award Committee should be guided, by the text in the AWCI Constitution: "This title shall be the highest honor awarded by the American Watchmakers-Clockmakers Institute.", to recommend this honor only in the most exceptional circumstances.

Voice Vote: Motion passed unanimously

Motion 32: Made by the Honor Awards Committee no second needed

Move to replace the old text of Bylaw Article 16, Section 6 with the following text:

Outstanding Achievement Award

Sec. 6: This honor may be awarded to recognize a person for outstanding achievements or accomplishments such as projects, inventions, innovative or creative ideas that meet a need, or a recognized business success.

Examples for which this award may be justified would be:

(a) Superior artistry in the form of a handmade watch or clock.

(b) Superior artistry in the form of restoration of a significantly historic timepiece.

Rationale: The restoration project would probably need to be a historically significant piece-- For example, the restoration of Napoleon Bonaparte's Breguet watch and not grandma's cuckoo clock or grandpa's fifteen jeweled Waltham.

(c) Authoring a book, which contributes substantially to the body of horological knowledge.

Rationale: This would be as opposed to an instructional text, which simply repeats in a different form that which has already been written.

(d) Inventions of horological significance, for example: tools, mechanisms, chemistry advancements in lubrication or cleaning, or computer software, which contributes significantly to horological manufacturing, repair, or service.

(e) Developing innovative processes or creative ideas relating specifically to horology and/or the business of horological manufacturing, repair, or service.

Voice Vote: Motion passed unanimously

Motion 33: Made by Honor Awards Committee needs no second

Move to add Bylaw Article XVI section 7 to read as follows:

Meritorious Service Awards

Sec. 7: This honor may be awarded to persons who have made significant contributions to AWCI and its members.

Examples for which this award may be justified would be:

(a) Volunteer service relating to efforts requiring considerable personal sacrifice in time and/or money.

Rationale: This might be, but not limited to, long-term service on constitutional and/or standing committees, or the Board of Examiners.

(b) Writing specifically for the Horological Times magazine over an extended period.

(c) Other forms of outstanding service to the AWCI as determined by the Honor Awards Committee

Voice Vote: Motion passed unanimously

Motion 34: Made by Honor Awards Committee, needs no second
Move to add Bylaw Article XVI, Section 8 to read as follows:

Appreciation Award

Sec. 8: This honor may be awarded to those persons who make one-time contributions of time and/or money. For example: Seminar Presenters and Keynote Speakers at Annual Meetings, visiting instructors to the AWCI Academy, significant contributors to the Trade Fair Booth effort, etc.

Voice Vote: Motion Passed unanimously

Motion 35: Made by Nominating Committee, no second needed.

Move to add Policy Manual Article 4.2008.01 Nominating Procedures: Qualification and Selection Process. This action satisfies Motion 14.

The text of the section is as follows:

Nominating Procedures: Qualification and Selection Process

Background:

Recommended nominees for the AWCI Board of Directors originate with the membership. It is up to the members to recommend those candidates they feel will best represent them as leaders of the AWCI. While the AWCI Board of Directors is ultimately responsible for approving the list of candidates to be placed on ballot, it is the function of the Nominating Committee to present the AWCI Board with the best possible slate of candidates for approval. To this end, there are two primary functions performed by the Nominating Committee: Qualification and Selection. Qualification applies to every candidate nominated for the Board. Selection only applies in certain circumstances.

Qualification:

All candidates for the AWCI Board must meet certain minimum qualifications, as spelled out in the Constitution and By-Laws. These include, but are not limited to, a willingness to serve, being a member in good standing, and attesting to duties of loyalty, confidentiality, and care. The Nominating Committee will verify that each candidate nominated, including candidates nominated by petition, shall meet the minimum qualifications as required by the Constitution and By-Laws.

Selection:

Selection applies only in two specific cases: when more candidates than the constitutionally allowed maximum have been nominated, or when fewer candidates than the constitutionally required minimum have been nominated. In those two specific cases, it shall be the job of the Nominating Committee to develop the best possible slate of candidates through the application of an objective standard. The objective criteria used in selection may change over time, but should always be decided upon before candidate selection begins.

The Nominating Committee will use the following criteria:

- Prior service to the AWCI. Both quantity and quality of prior service should be considered.
- Formal Education.
- Business skills. Has the candidate demonstrated skills in areas like finance, project management, organizational management, etc.?
- Leadership skills. Has the candidate demonstrated the ability to lead teams of people in the accomplishment of specific goals?
- Communication skills. Has the candidate demonstrated the ability to communicate their ideas clearly?
- Character. Does the candidate possess a proven track record of honesty and integrity in their dealings with others?

In the case where more nominations have been received than the ballot allows, the Nominating Committee will evaluate all candidates on the basis of these criteria and select those candidates who, all things considered, fulfill the greatest number of these criteria.

In the case where fewer than the minimum required nominations have been received, the Nominating Committee will actively seek nominations of individuals who, in the estimation of the Nominating Committee and Board of Directors, best fulfill these criteria.

Conclusion:

Ultimately, it is up to the members of the AWCI to recommend those whom they feel would be best qualified to serve on the Board of Directors. The Nomination Committee supports that process by providing the A WCI Board with the best possible slate of candidates, through the evaluation of objective standards as outlined herein, to be placed before the membership for election.

Rationale: This policy is needed to create a better method by which we select the nominees for the Board of Directors. It is also needed to fulfill the directive created in Motion 14 of this year.

Voice Vote: Motion Passed unanimously

New Business

Glenn Gardner asked about the perennial problem with the Board's email system(s). He is missing messages, and so is left out of board discussions. Tom Pack wanted to make it clear that the problem isn't simply at AWCI, that there are a lot of intermediate stages that can cause messages to be blocked. He also doesn't have a lot of power to solve the problems. Stuart said that the system as it is is just silly – that some of us sometimes get 9 copies of the same email because of the redundant systems. He feels the answer is to stop trying to patch up the existing systems with redundancy and to start fresh with one system that works. Stuart also offered to work with Tom and anyone else to identify the real problems and to fix them.

Jim Lubic said books need to be published by AWCI since they are profitable. Jack Kurdzionak mentioned that there is no money in the budget for publishing. President Warner suggested taking order and telling members it would take three months to get the books published. The lathe book by Archie Perkins needs to have priority, Lubic said. The discussion included some points on self publishing that we do with a few of the

smaller books. Pack showed the board a sample of the clamp style binding that they use by getting a copy of the book printed by Kinkos, and then binding here at HQ. Jim Sadilek brought forward the issue of how the institute handles check writing, and noted that the Treasurer does not currently have access to the checks, or even the records of the checks that have been signed in his name. Lehn said the board would be liable should something go wrong, since the rules require two signatures. The intent is not to accuse HQ of any wrong doing. This is a matter of proper procedure, and it's better to do it right now rather than find excuses in a lawsuit. Lubic and Pack said that they could arrange for the Treasurer to be able to view electronic records online, and that this might take a few weeks.

Motion 36: Made by Kurdzionak seconded by Henning

Move to add Policy 4.2008.02

All checks will be signed by two of the following three: the Executive Director of the Institute, Treasurer, President. A facsimile signature is acceptable.

Rationale: This is needed to make a long standing procedure part of the official Policy Manual. It is also stated in the Bylaws that the Board can designate anyone it chooses to perform this function, but it has never formally done so.

Voice Vote: Motion Passed unanimously

The question about the type of accounting audit was brought up again. There is the choice between an Audited report, or a Reviewed report. Kurdzionak said that he would take it up with his committee and see what they think about it. Lubic also noted that it might be better to have the audit in the future if we have a Treasurer who is less conscientious than the current one. Stuart noted that conventional wisdom is to change auditors every four years, and that this would be a good idea for us to do the same. Kurdzionak noted that there is similar thinking on the Finance Committee. He added that the same auditors also run our election. Warner asked if it is required that we have a professional auditor count the ballots. Henning noted that it is better to protect ourselves up front, and avoid the possible perception that the elections aren't completely unbiased. Stuart asked if it is possible to mail the ballots out with the magazine. Pack explained that the ballots are individually numbered, so they would have to be manually stuffed into the magazine in the form of post cards.

President Warner asked for a motion for adjournment

Gardner moved, and it was seconded by Henning Board concurred unanimously

Meeting adjourned Sunday, February 10, 2008. 10:20am