

**USA VOLLEYBALL
MINUTES OF THE MEETING
of the
BOARD OF DIRECTORS
Jan 14, 2013 Dallas, TX**



- Presiding:** Adam Rymer, Chair
- Directors:** William Barnum, Ken Cain, Jon Lee, Ted Leland, Sue Mailhot, Lori Okimura, Andy Reitingger, Todd Rogers, Adam Rymer, Ken Shropshire, Kerri Walsh Jennings
- Treasurer:** Kevin Twohig
- Staff:** CEO Doug Beal, Kerry Klostermann, Margie Mara, Tim McCune, Stacie Kearns, Chris Vadala
- Guests:** Gabe Gardner, AAC rep; Al Monaco, USAVF Chair; Donald Sun; Al Lau; Stew McDole; Michelle Goodall; Rich Lambourne
- Absent:** Sarah Noriega Sulentor, Reid Priddy, Kathy DeBoer
- Recorder:** Fred Wendelboe, Recording Secretary

NOTE: Information is reported according to topic and not necessarily in the chronological order of discussion.

I. Call to Order/Introductions

The meeting of the Board of Directors of USA Volleyball was called to order by Chair Adam Rymer at approximately 8:07 am CST on Monday January 14, 2013.

II. Roll Call: Mr. Klostermann called the roll.

Declaration of Quorum: Mr. Klostermann with 11 Directors present, declared a quorum was present.

III. Announcements: Mr. Rymer welcomed the directors and guests.

IV. Approval of Agenda

The agenda was reviewed and approved with adjustments.

MOTION #1: It was M/S/C (Reitingger/Leland) to approve the agenda as revised.

V. Approval of Minutes: Mr. Cain mentioned that the Board never approved the Corporate 990 as was referenced in the minutes and suggested either an email vote or that the minutes simply reference that the Board had read the document. There were other minor corrections to the minutes which resulted in delaying the approval until they were either submitted for electronic vote as corrected or approval deferred until the next meeting.

MOTION #2: It was **deferred** to approve the minutes of the October 8, 2012 meeting of the Board as modified until the next meeting.

VI. BYLAWS and GOVERNANCE

- A.** NGC Ad Hoc Committee Report: Mr. Reitingger thanked the committee members and staff who worked on this matter. Regarding the selection/election of the NGC itself, the committee recommends changing from the Board electing one Beach representative to the Beach Assembly electing that position. Also, because of the proposed staggering of terms, there will no longer be a “previous” NGC to elect one position. After this election, the word “previous” should be removed and the election conducted by the sitting NGC. Additionally, the language pertaining to the time of election shall remove the reference to the year of the Summer Olympic Games and replaced by a reference to the year specified for each position. The resulting proposal is attached as Appendix B. The Ad Hoc committee also considered the matter of the election of directors as referenced in Bylaw 6.02 I 1-10. The role of the NGC in the election process for directors as well as the criteria for director qualifications was the issue. A lengthy discussion on diversity resulted in strengthening the statement in Section B of the document. The resulting proposal is attached as Appendix A.

MOTION #3: It was M/S/C (NGC) it is moved to approve the revised documents presented by the NGC (see attached Appendices A & B) relating to Bylaw 6.02 I 1-10 related to the election of directors.

The USA Volleyball Congress has been become a non-viable event but is still referenced and required annually in the Bylaws. It is recommended for removal.

MOTION #4: It was M/S/C (Reitingger/Mailhot) to set aside the 30 day notice period for consideration of the following motion. – note: 2/3 majority vote achieved.

MOTION #5: It was M/S/C (NGC) move to delete any reference to the USA Volleyball Congress from the Bylaws (Article V).

VII. Committee Reports

- A.** Audit, Finance & Budget Committee: Mr. Twohig reported on the Committee’s most recent meeting.
1. 2012 Status Report: Mr. Twohig referenced the committee’s written report and highlighted a few areas. Mr. Cain questioned the reference to Olympic ticket revenue and staff explained that bills were issued and will be collected. Mr. Cain questioned the reference to the RVA Self-Insurance Retention Fund and offered a motion concerning the Fund.
 2. 2013 Budget: The committee recommended approval of the budget but there were questions about certain department budgets that were addressed in Executive session.

MOTION #6: It was M/S/C (Audit, Finance & Budget Committee) to approve the composition of the committee: Kevin Twohig, Chair, Todd Rogers, Ken Shropshire, Stewart McDole, Andy Reitingner with Angelo lasillo and Scott Fortune as Ad Hoc members

MOTION #7: It was M/S/C (Cain/Reitingner) The USAV CEO is hereby directed to provide a complete accounting of RVA insurance proceeds received by USAV since the inception of the RVA Self-Insurance Retention Fund, including an itemized breakdown of all income and all expenditures from those proceeds, all interest accrued and how calculated, and when a restricted interest-bearing account was established or dissolved, and by whose direction. The accounting shall be completed by March 1, 2013 and forwarded to the USAV Board and RVA Assembly Chair.

MOTION #8: It was M/S/C (Rogers/Reitingner) move to go to executive session.

MOTION #9: It was M/S/C (Audit, Finance & Budget Committee) move to grant approval to the proposed 2013 budget as amended by action in the Executive Session to limit the Beach Department budget to 2012 levels.

MOTION #10: It was M/S/C (Audit, Finance & Budget Committee) move to amend the Policy & Procedures Manual as referenced in attached Appendix C referencing audit procedures and responsibilities.

Mr. Twohig then reviewed additional areas the committee reviewed.

B. Ethics & Eligibility: Mr. Lee reported on the committees activities. He thanked the members of the committee. The committee reviewed an action referred from the RVA Assembly and ruled the member had not been given due process and was referred back to the Keystone Region. A second matter involving the election of the Beach Development Director position was considered. Michelle Goodall, Chair of the Beach Assembly presented some background material regarding the election process.

MOTION #11: It was M/S/C (Reitingner/Leland) move to go to executive session.

The decision of the Board was to uphold the decision of the E & E committee setting aside the Beach Development election and directed that another election be held.

- C.** Nominating and Governance Committee: no issues, no report
- D.** Administrative Council: no issues, no report

MOTION #12: It was M/S/C (Reitingner/Lee) move to request the NGC as seated on December 31, 2012 to conduct the process for the election of the NGC "carry forward" position and the Independent position up for election.

VIII. USAV Foundation Report: Mr. Monaco reported on the recent Board of the Foundation meeting. New member Chip Harris joined the Board. The corpus of the Foundation account grew by 11%. The 2013 budget was approved which contained a continuation of the support for the Development Department including a new administrative support position.

IX. AAC Report: Mr. Gardner reported on the recent AAC meeting. The meeting was mainly concerned with the changeover of reps for the coming Quad. He was elected to a position as an At Large rep on the Leadership Committee of the AAC which means his alternate Cynthia Barbosa will take his place as the USAV representative. A male alternate will need to be elected.

X. CEO/Staff Report

A. Sponsor Update: added Liberty Mutual as a corporate partner through 2016; meetings in progress with Hilton; SportCourt has renewed through 2016; renewed Mizuno including Beach at an upgrade in level; signed a digital media agreement with the USOC; Spalding not renewing as indoor and outdoor net support systems, talks with other suppliers are ongoing. A corporate goal is to increase the level of budget support from Marketing.

B. Pro League Update: discussions are underway with a number of entities and there has been continuing progress toward the establishment of professional leagues both indoor and on the beach.

C. Coaching Staff Update: Mr. Kiraly is working to complete his staff and there is no report on the men's side.

D. Website Update: we have signed a 4 year agreement with the USOC to host the website. We will have the ability to live stream events.

E. Safe Sport Update: Margie Mara reported on the progress of the Safe Sport initiative. It is planned for implementation by September 1. The website is SafeSport.org. Recertification tool.

F. Intermountain Region Status: the Intermountain Region is in significant trouble. The Northern California Region is assisting as are other RVAs.

G. Staff Retreat/Strategic Plan: Mr. Vadala reviewed the process for the Quad and annual goals review at the staff retreat. Mr. Rymer commented on the need for the staff to treat this as a guideline and continually consult and update it. Mr. Vadala responded that this was planned and the staff was aware of the need to track progress against goals.

H. USOC Update: Safe sport and diversity continue to be priorities.

MOTION #13: It was M/S/C (Lee/Okimura) move to approve the concept of the implementation of the SafeSport initiative as presented by the USOC.

XI. Board Discussion

A. Strategic Planning: Mr. Rymer commented that he would like to find a way to work with the RVAs to plan for growth and other opportunities.

B. Review of Financial Quad Goals: deferred for AFB Committee input.

XII. New Business

A. Sue Mailhot asked about the process for approval of the job description for the Official's consultant positions. Both the indoor and beach positions will be a staff consultant position and approved by staff; the job description has had input from officiating leadership. She also asked about the status for the VRT official's training site. The learning management software to support the site has been purchased and it allows increased levels of participation.

XIII. Next Meeting of the Board of Directors: in Louisville in May on Friday the 24th. The Boyce banquet will be on Thursday night the 23rd and the Board is encouraged to attend.

XIV. Adjournment

No further business being offered, Mr. Rymer declared the meeting adjourned at approximately 2:43 pm.

Respectfully submitted,

Fred N. Wendelboe
Recording Secretary

NGC Committee Redline - DRAFT

- A. General Qualifications. Each Director shall possess the following general qualifications in addition to meeting the Minimum Criteria described in Article 6.02 I.
1. Be a citizen of the United States; and not be affiliated with any national volleyball federation other than USA Volleyball.
 2. Be at least eighteen years of age;
 3. Be judged qualified and appropriate for the particular Board position based on but not necessarily limited to:
 - a. Possessing good character; and
 - b. Possessing appropriate communication and interpersonal skills.
 4. Be committed to the principles and policies of the Corporation and serving the best interests of the Corporation and the sport regardless of the constituency which (s)elects the Board Member;
- B. Selection, Minimum Criteria and Terms. It is strongly recommended that consideration of gender, race and ethnic diversity in accordance with these Bylaws is represented in at least one of the nominees for each position. The composition of the Board shall be as follows:
1. Four Athlete Directors, each with one vote. One shall be female from the indoor discipline; one shall be male from the indoor discipline; one shall be female from the beach discipline; and one shall be male from the beach discipline.
 - a. Selection: Nominees shall be solicited broadly by the Nominating and Governance Committee (NGC) with self-nomination encouraged. Reasonable effort will be made to identify a minimum of two nominees for each available Board position. The NGC will evaluate the nominees against both the General and the Minimum Criteria taking the opportunity to solicit additional information from the nominee or others as useful and determine whether the nomination shall go forward or not. In the event a nominee was judged by the NGC to fail to meet the criteria, the nominee shall have the right to request and receive the rationale. International indoor athletes will elect the Indoor Athlete Directors (1 female and 1 male) and international beach athletes will elect the Beach Athlete Directors (1 female and 1 male). The determination of whether an athlete is voting as an "indoor eligible athlete" or "beach eligible athlete" will be established by that athlete's last qualifying competition.
 - b. Minimum Criteria: In order to be eligible to run and/or vote for Athlete Director positions, athletes must be international athletes as defined in these Bylaws.

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- c. Term: All terms shall be four years. Each Athlete Director shall be elected according to the following schedule:
 - i) Indoor - Male (1st year of the Quadrennium);
 - ii) Beach - Female (2nd year of the Quadrennium);
 - iii) Indoor - Female (3rd year of the Quadrennium)
 - iv) Beach - Male (4th year of the Quadrennium).
2. Three Independent Directors, each with one vote.
 - a. Selection: Nominees shall be solicited broadly by the NGC with self-nomination encouraged. Reasonable effort will be made to identify a minimum of 2 nominees for each available Board position. The NGC will evaluate the nominees against both the General and the Minimum Criteria taking the opportunity to solicit additional information from the nominee or others as useful and determine whether the nomination shall go forward or not. In the event a nominee was judged by the NGC to fail to meet the criteria, the nominee shall have the right to request and receive the rationale. The NGC shall select the Independent Directors, using whatever process the NGC determines to be appropriate, from among nominated individuals meeting the criteria.
 - b. Minimum Criteria: An Independent Director will be determined to have no material relationship with the Corporation for a minimum of at least the past two years and shall meet the other criteria of independence as specified in Article 6.10 Successful candidates should be capable of contributing to advancing the best interests of the Corporation and the sport and bring special skills or associations to the Board. Election to the Corporation's Board of Directors does not invalidate Independent Director status for subsequent service on the Board.
 - c. Term: All terms shall be four years. Each Independent Director shall be elected according to the following schedule:
 - i) Independent Director (1st year of Quadrennium);
 - ii) Independent Director (2nd year of Quadrennium);
 - iii) Independent Director (3rd year of Quadrennium).
3. Two RVA Directors, each with one vote.
 - a. Selection: The NGC shall accept from the RVA Assembly a required minimum of 2 nominees for each available Board position with self-nomination also encouraged. A self-nomination received by the NGC shall be submitted to the RVA Assembly for inclusion in the RVA process for submitting its slate of candidates to the NGC. The NGC will evaluate the nominees against both the General and the Minimum Criteria taking the opportunity to solicit additional information from the nominee or others as

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useful and determine whether the nomination shall go forward or not. In the event a nominee was judged by the NGC to fail to meet the criteria, the nominee shall have the right to request and receive the rationale. The NGC shall forward the final slate of qualified nominees to the RVA Assembly to conduct the election(s) to fill each Board position.

- b. Minimum Criteria: A candidate representing the RVA's should meet or exceed the following criteria:
 - i) Recent leadership role within a RVA (current or previous role as a Commissioner not required).
 - ii) Member in good standing with a RVA.
 - iii) Demonstrate a significant degree of involvement at the Regional and National levels with a broad spectrum of experience in the sport.
 - c. Term: All terms shall be four years. Each RVA Director shall be elected according to the following schedule:
 - i) RVA Director (2nd year of the Quadrennium);
 - ii) RVA Director (4th year of the Quadrennium).
4. One Indoor High Performance Director, with one vote.
- a. Selection: The NGC shall accept a nominee or preferably nominees from the Corporation-recognized high performance organization (currently the National Collegiate Athletic Association ("NCAA")) with self-nomination also encouraged. A self-nomination received by the NGC shall be submitted to the NCAA for inclusion in the NCAA process for submitting its slate of candidates to the NGC. The NGC will evaluate the nominees against both the General and the Minimum Criteria taking the opportunity to solicit additional information from the nominee or others as useful and determine whether the nomination shall go forward or not. In the event a nominee was judged by the NGC to fail to meet the criteria, the nominee shall have the right to request and receive the rationale. The NGC shall forward the final slate of qualified nominees to the NCAA to select the Board position.
 - b. Minimum Criteria: A candidate representing Indoor High Performance should meet or exceed the following criteria:
 - i) Recent leadership role with a collegiate institution (e.g. athletic director, conference/college administrator, senior staff), committee, program or activity (volleyball-specific experience preferred but not required).
 - ii) Appropriate experience (e.g. international representation, high performance program management and/or development) to adequately represent indoor volleyball high performance programs and development.
 - iii) Demonstrate a significant degree of involvement with a broad spectrum of sport administration, programming or development (volleyball experience preferred but not required).

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- c. Term: The term shall be four years with the election occurring in the 1st year of the Quadrennium.
5. One Junior Indoor Director, with one vote.
 - a. Selection: The NGC shall accept from the Junior Assembly of USA Volleyball ("Junior Assembly") a required minimum of 2 nominees for the available Board position with self-nomination also encouraged. A self-nomination received by the NGC shall be submitted to the Junior Assembly for inclusion in the Junior Assembly process for submitting its slate of candidates to the NGC. The NGC will evaluate the nominees against both the General and the Minimum Criteria taking the opportunity to solicit additional information from the nominee or others as useful and determine whether the nomination shall go forward or not. In the event a nominee was judged by the NGC to fail to meet the criteria, the nominee shall have the right to request and receive the rationale. The NGC shall forward the final slate of qualified nominees to the Junior Assembly to conduct the election(s) to fill the Board position.
 - b. Minimum Criteria: A candidate representing Junior Indoor volleyball should meet or exceed the following criteria:
 - i) Appropriate experience with junior volleyball.
 - ii) A broad spectrum of junior indoor volleyball experience such as junior club director, junior coach, junior event programming, etc.
 - c. Term: the term shall be four years with the election occurring in the 2nd year of the Quadrennium.
6. One Beach At Large Director, with one vote.
 - a. Selection: The NGC shall accept from the Beach Assembly of USA Volleyball ("Beach Assembly") a required minimum of 2 nominees for the available Board position with self-nomination also encouraged. A self-nomination received by the NGC shall be submitted to the Beach Assembly for inclusion in the Beach Assembly process for submitting its slate of candidates to the NGC. The NGC will evaluate the nominees against both the General and the Minimum Criteria taking the opportunity to solicit additional information from the nominee or others as useful and determine whether the nomination shall go forward or not. In the event a nominee was judged by the NGC to fail to meet the criteria, the nominee shall have the right to request and receive the rationale. The NGC shall forward the final slate of qualified nominees to the Beach Assembly to elect the Board position.
 - b. Minimum Criteria: A candidate representing Beach Programs should meet or exceed the following criteria:
 - i) Appropriate experience (e.g. representation of the discipline of beach volleyball as athlete, coach or administrator; beach high performance program management and/or development).

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- ii) Demonstrate a significant degree of involvement domestically in beach volleyball sport administration, programming or development.
 - c. Term: July 1, 2011 – June 30, 2015 (Subsequent Terms shall be four (4) years with the election occurring in the 3rd year of the Quadrennium.
- 7. One Beach Development Director, with one vote.
 - a. Selection: The NGC shall accept from the Beach Assembly of USA Volleyball (“Beach Assembly”) a required minimum of 2 nominees for the available Board position with self-nomination also encouraged. A self-nomination received by the NGC shall be submitted to the Beach Assembly for inclusion in the Beach Assembly process for submitting its slate of candidates to the NGC. The NGC will evaluate the nominees against both the General and the Minimum Criteria taking the opportunity to solicit additional information from the nominee or others as useful and determine whether the nomination shall go forward or not. In the event a nominee was judged by the NGC to fail to meet the criteria, the nominee shall have the right to request and receive the rationale. The NGC shall forward the final slate of qualified nominees to the Beach Assembly to elect the Board position.
 - b. Minimum Criteria: A candidate representing Beach Development should meet or exceed the following criteria:
 - i) Recent leadership role within the beach development community.
 - ii) Significant involvement with a broad spectrum of developmental beach programming, coaching or beach event operation.
 - c. Term: The term shall be four years with the election occurring in the 4th year of the Quadrennium.
- 8. One Coach Director, with one vote.
 - a. Selection: The NGC shall accept a nominee or preferably nominees from the Corporation-recognized national coaching organization (currently the American Volleyball Coaches Association (“AVCA”)) with self-nomination also encouraged. A self-nomination received by the NGC shall be submitted to the AVCA for inclusion in the AVCA process for submitting its slate of candidates to the NGC. The NGC will evaluate the nominees against both the General and the Minimum Criteria taking the opportunity to solicit additional information from the nominee or others as useful and determine whether the nomination shall go forward or not. In the event a nominee was judged by the NGC to fail to meet the criteria, the nominee shall have the right to request and receive the rationale. The NGC shall forward the final slate of nominees to the AVCA to select the Board position.
 - b. Minimum Criteria: A candidate representing volleyball Coaches should meet or exceed the following criteria:

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- i) Recent leadership role in the volleyball coaching profession, coaching administration, coach development and/or volleyball coach training and education.
 - ii) Experience with international volleyball coaching and/or high performance development is preferred.
 - c. Term: The term shall be four years with the election occurring in the 1st year of the Quadrennium.
- 9. One Officials' Director, with one vote.
 - a. Selection: The NGC shall accept from the Officials Assembly of USA Volleyball ("Officials Assembly") a required minimum of two (2) nominees for the available Board position with self-nomination also encouraged. A self-nomination received by the NGC shall be submitted to the Officials Assembly for inclusion in the Officials Assembly process for submitting its slate of candidates to the NGC. The NGC will evaluate the nominees against both the General and the Minimum Criteria taking the opportunity to solicit additional information from the nominee or others as useful and determine whether the nomination shall go forward or not. In the event a nominee was judged by the NGC to fail to meet the criteria, the nominee shall have the right to request and receive the rationale. The NGC shall forward the final slate of qualified nominees to the Officials Assembly to conduct the election.
 - b. Minimum Criteria: A candidate representing volleyball Officials should meet or exceed the following criteria:
 - i) Recent leadership role with an established officials' organization.
 - ii) Member in good standing with an officials' organization.
 - iii) Demonstrate a significant degree of involvement with a broad spectrum of officiating programming.
 - iv) International, national and/or state championship level officiating experience preferred.
 - c. Term: The term shall be four years with election occurring in the 3rd year of the Quadrennium.

NGC Bylaws Proposal 12-11-12

1. The Nominating and Governance Committee (“NGC”) shall consist of seven persons: one person elected by the previous NGC who is a member of the NGC and eligible for a second term; one international athlete elected by and representing the beach volleyball discipline; one international athlete elected by and representing the indoor volleyball discipline; one person elected by and representing the RVAs; one person elected by the Beach Assembly and representing the beach volleyball discipline; one person elected by the Board and representing the indoor volleyball discipline; and one “independent” person selected by the **previous** NGC. The process for election and/or selection as well as the Minimum Criteria for each position shall be that specified in the Corporation’s Operating Code. The NGC shall select its own Chair from among its members for a two (2) year term.
 - a. Term: All terms shall be four years beginning January 1 and ending December 31 of the relevant year subsequent to the terms below:
 - i) **Previous** NGC: 2013 - 2016;
 - ii) International Beach Athlete: 2013 – 2016;
 - iii) International Indoor Athlete: 2013 - 2014;
 - iv) RVA: 2013 – 2016;
 - v) Beach Discipline: 2013 - 2014;
 - vi) Indoor Discipline: 2013 – 2016; and
 - vii) Independent: 2013 - 2014.
2. Term of Service: All positions on the Committee shall be appointed and/or elected no later than December 31 of the year specified in 1. a. above. Committee members are eligible to serve no more than two consecutive terms. Any portion of a term shall be considered a full term. After a term of absence, an individual is again eligible to serve on the Committee. NGC members are not eligible to serve as a Board member during their term of service on the Committee.

APPENDIX D – AF&B Audit Committee Charter Audit Responsibilities

USAV AF&B Audit Committee Audit Responsibilities Charter

~~The USA Volleyball Audit Committee shall be a three person committee composed of one member of the Board of Directors, one member of the Budget and Finance Committee, and an independent financial expert. Only independent individuals will serve on the audit committee. An independent member is free of any relationship that could influence his or her judgment as a committee member. An independent member may not be associated with a major vendor to, or customer of, or staff of USA Volleyball.~~

~~The primary function of the audit committee is to assist the board in fulfilling its oversight responsibilities by reviewing the financial information that will be provided to the membership and others, the systems of internal controls management and the board of directors have established and all audit processes.~~

The primary audit function of the Audit, Finance and Budget Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing financial information that is provided to stakeholders and the system of internal controls management as per the processes established by the Board of Directors.

• General responsibilities

1. ~~The audit committee p~~Provides open avenues of communication among the management, the independent accountant, and the ~~B~~board of Directors.
2. ~~The audit committee must report committee~~ Conduct audit-related actions activities and make appropriate reports and recommendations to the full ~~B~~board of Directors and may make appropriate recommendations which include but are not necessarily limited to:
 - a. Review and approve the Audit RFP.
 - b. Interview the accounting firms submitting an RFP.
 - c. Recommend to the Board the accounting firm to be engaged for the Audit along with any fees to be paid, the scope of services and procedural plans to be provided and the length of engagement.
 - d. Ensure the auditor is independent from the Corporation.
 - e. Report to the Board of Directors any serious difficulties or disputes with management encountered during the course of the audit.
 - f. Report to the Board of Directors any significant findings during the year and management's responses to them.

g. Recommend to the Board the dismissal of a currently engaged audit firm for non-performance.

h. Change the independent auditor every five years. A change in the independent auditor could be either a change in the partner conducting the audit or a new independent accounting firm all together.

~~3. The audit committee has the power to conduct or authorize investigations into matters with the committee's scope of responsibilities. The committee is authorized to retain independent counsel, accountants or others it needs to assist in an investigation.~~

~~4. The committee will meet at least one time each year, more frequent if circumstances make that preferable. The committee may ask members of management or others to attend the meeting and is authorized to receive all pertinent information from management.~~

~~5. The committee will do whatever else the law, the company's charter or bylaws of the board of directors require.~~

• Responsibilities for engaging independent accountants

~~1. The audit committee will select the independent accountants for company audits. The committee's selection is subject to approval by the full board of directors. The audit committee also will review and set any fees paid to the independent accountants and review and approve dismissal of the independent accountant.~~

~~2. The audit committee will confirm and assure the independence of the accountant, including a review of consulting services provided by the independent accountant and the fees paid for them.~~

~~3. The audit committee will consider, in consultation with the independent accountant, the audit scope and procedural plans made by the management and the independent accountant.~~

~~4. The audit committee will listen to management and the primary independent auditor if either thinks there might be a need to engage in additional auditors. The audit committee will decide whether to engage an additional firm and, if so, which one.~~

~~5. The audit committee shall change the independent auditor every five years. A change in the independent auditor could be either a change in the partner conducting the audit or a new independent accounting firm all together.~~

• Responsibilities for reviewing the annual external audit and the review of annual financial statements

- ~~1. The audit committee will ascertain that the independent accountant views the board of directors as its client, that it will be available to the full board of directors at least annually and that it will provide the committee with a timely analysis of significant financial reporting issues.~~
- ~~2. The audit committee will ask management and the independent accountant about significant risks and exposures and will assess management's steps to minimize them.~~
- ~~3. The audit committee will review the following with the independent accountant:
 - ~~a. The adequacy of USAV internal controls, including computerized information system controls and security.~~
 - ~~b. Any significant findings and recommendations made by the independent accountant together with management's responses to them.~~~~
- ~~4. Shortly after the annual examination is completed, the audit committee will review the following with management and the independent accountant:
 - ~~a. The company's annual financial statements and related footnotes.~~
 - ~~b. The independent accountant's audit of and report on the financial statements.~~
 - ~~c. The auditor's qualitative judgments about the appropriateness, not just the acceptability, of accounting principles and financial disclosures and how aggressive (or conservative) the accounting principles and underlying estimates are.~~
 - ~~d. Any serious difficulties or disputes with management encountered during the course of the audit.~~
 - ~~e. Anything else about the audit procedures or findings that GAAS requires the auditors to discuss with the committee.~~~~
- ~~5. The audit committee will consider and review with management:
 - ~~a. Any significant findings during the year and management's responses to them.~~
 - ~~b. Any difficulties the independent auditor encountered while conducting audits, including any restrictions on the scope of their work or access to required information.~~~~
- ~~6. The audit committee will review annual financial statements.~~

Appendix C

- **Periodic Responsibilities**

1. Review and update the committee's charter annually.
2. Review policies and procedures covering officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of those areas by the independent accountant.
3. Review, with management and the independent accountant, the results of their examination of compliance with the company's code of conduct.
4. Review legal and regulatory matters that may have a material effect on the organization's financial statements, compliance policies and programs and reports from regulators.
5. Meet with management and the independent accountant in separate executive sessions to discuss any matters the committee or these groups believe should be discussed privately with the audit committee.