MEETING CALLED TO ORDER
With President Sue Porter presiding, the meeting of the board of directors of the Sigma Delta Chi Foundation was called to order at 8:10 a.m. on Sunday, May 16, 2004, at the Eugene S. Pulliam National Journalism Center, Indianapolis, Indiana.

ROLL CALL
In addition to Porter, the following were in attendance for all or a portion of the meeting:

Treasurer Howard Dubin
Secretary Todd Gillman
Directors: Guy Baehr, Fred Brown, David Carlson, Holly Fisher, Steve Geimmann, Irwin Gratz, Kelly Hawes, Jim Highland, Jane Kirtley, Mead Loop, Gordon McKerral, and Reginald Stuart
Executive Director Terry Harper
Director of Development Joyce Dobson
Controller Jake Koenig.

SPECIAL RECOGNITION
Before beginning the meeting, Porter invited Fred Brown to offer a special toast to Betsy Ashton and Terry Harper in observation of their recent birthdays. Georgiana Vines also was celebrated for overcoming a recent health crisis.

MINUTES APPROVED
Upon proper motion and second by Loop and Highland, respectively, the minutes of the September 11, 2003 meeting of the board of directors of the Sigma Delta Chi Foundation were approved.

REPORT OF THE SDX PRESIDENT
Porter referenced her written report and affirmed that she felt that the Plan of Work continued to be a useful tool. She encouraged the directors to set objectives for 2005 to present at the fall meeting for approval. President Porter thanked the directors who had recently donated to the Foundation. After the report, discussion concerned the setting of an informal policy for establishing a regular meeting schedule. She also referenced from her written report a perceived need for clarification of board member responsibilities (Exhibit A).

Porter thanked SPJ President McKerral for inviting her to participate in the review of the executive director. She suggested that a performance review instrument be utilized in the review of the executive director so that there would be a greater degree of continuity in evaluations as the executive committee of SPJ changes (Exhibit B).

REPORT OF THE SPJ PRESIDENT
McKerral reported that the previous day’s meeting of the SPJ board was productive. He stated that the Society has been doing a good job of elevating its profile through advocacy for ethics and freedom of information issues. He reported that there has been progress toward developing a partnership with Bloomberg and FACS. McKerral reported that the SPJ financial house is in order and that the recent budget meeting was uneventful.

EXECUTIVE COMMITTEE REPORT:
Porter recommended that a public relations professional be hired to assist staff with communications. In addition, staff was asked to provide a monthly update on Foundation activities to the executive committee.

COMMUNICATIONS REPORT
Gillman referenced the committee’s suggestions to populate the SDX Web site in a way that is more
informative and effective. Staff will pursue implementation of a “Give Now” button for the SDX portion of the Web site. Gillman will investigate acquisition of several Foundation-related domain names with staff to handle the appropriate registrations. Gillman suggested a SDX/SPJ “Told You So” campaign to promote journalism ethics. Dobson will pursue a postcard and advertising campaign using this theme. Staff will pursue obtaining a nonprofit bulk mailing permit. The board discussed the efficacy of an e-newsletter and Dobson will undertake a quarterly newsletter to showcase the work of the Foundation. It was also suggested that the events calendar on the website be improved in terms of timeliness and with names of contact persons.

EXECUTIVE DIRECTOR’S REPORT
Harper reported that financial statements were available through March 2004. He reported that SPJ had received the $76,000 bequest from the estate of Frederick I. Archibald and that the funds have been transferred to the Foundation, per the SPJ board’s action in September 2003. SPJ’s campus chapter affairs representatives will develop criteria for the scholarship(s).

RELATIONSHIP STATEMENT ENDORSED
The relationship statement between SPJ and SDX drafted by Baker & Hostetler was distributed. McKerral reported that the statement was endorsed by the SPJ board. Discussion involved clarification of the longtime philosophy of how SDX operates and the notion that interlocking boards were designed to resolve conflict internally rather than externally.

Upon proper motion and second by Carlson and Highland, respectively, the board of directors of the Sigma Delta Chi Foundation endorsed the relationship statement. Geimann and Stuart abstained.

The relationship statement is attached to these minutes as Exhibit C.

DEVELOPMENT
Stuart referenced the development committee’s draft strategic plan. He felt that there were fundamental problems with the mission statement and suggested that the language needed to be redrawn so that it did not send a message that the Society is dependent upon the Foundation.

Dobson reported on overall plans and the need for board involvement in donor stewardship. She distributed packets of thank you notes for board members to use as needed. She commented upon the effectiveness of board contact with donors and referenced a recent study where brief thank you calls from board members to donors resulted in a 39 percent increase in giving. In the same study, with no other activity, the donors who had been contacted by the board volunteers gave 42 percent more than donors who had not been contacted. Dobson explained that it was not necessary for board members to ask for money but that it was enough to simply say thank you.

Dobson reported on plans for a special donor recognition event at the convention and that there is a new member of the 1909 Society, the Foundation’s planned giving club. She expressed appreciation to board members Hoag Levins and Holly Fisher who were actively following up with donors.

FINANCE
Koenig presented a composite view of budget that summarizes the Foundation’s programs and activities. He announced that 57 percent of Foundation expenses go toward programs and activities, 13 percent are for direct expenses such as auditing, depreciation and professional development, five percent goes toward Ward Neff intern salaries, and 25 percent is allocated expense including salary and benefits. Discussion concerned a way to more accurately represent the Foundations expenses and whether it is in line with expense of Foundations of similar size. Koenig stated that he can calculate Foundation operating expenses across programs and better represent to donors how much of their gift will offset operating expenses and how much will go for program costs. Koenig reported that the bottom line was positive due to the five percent spending policy. He stated that philanthropic donations totaled $31,500 for the first part of FY 2004 and that there were approximately $228,000 in earnings this year. The board commended Koenig for his work.
Harper introduced a primer on Foundation finances. He reported that the Foundation operates on a total return policy rather than the old prudent man rule. He described the fund structure and various spending policies.

**PULLIAM EDITORIAL FELLOWSHIP INCREASED FOR 2005**

Dubin reported that the Finance Committee believes that the Pulliam Editorial Fellowship (PEF) should be increased annually and that the committee recommended an increase for 2005 so that it will become a major prize. Discussion concerned splitting the fellowship into two $40,000 fellowships, whether to create editorial writing workshops and how to obtain suggestions from NCEW on how better to utilize and promote the fellowship.

A motion to increase the PEF stipend to $75,000 for 2005 was made by Dubin and seconded by Stuart. Discussion included consideration of revision of eligibility criteria. The motion passed.

It was the sense of the board that increasing the award was in keeping with the donor’s intention. Staff was asked research marketing and revised eligibility criteria of increased award and the idea will be revisited in the fall at the board meeting.

Dubin recommended that the PEF fund be used to fund the NCEW luncheon where the PEF is awarded.

**BUDGET APPROVED**

Upon proper motion and second by Gratz and Geimann, respectively, the board adopted its 2004-2005 operating budget. The budget is attached to these minutes as Exhibit D.

Dubin suggested that the idea of funding development of a database of all professional journalists be revisited. He stated that at one point $75,000 was allocated for this project but that the funds were reallocated to a needed new computer system. Suggestion was made that Projects Committee investigate whether this project would be feasible and, if so, how. It was noted that other professional databases such as those for doctors and lawyers are based on state license information and that nothing of a similar nature for journalists exists. It was suggested that the project was outside the purview of the projects committee and better done by an outside contractor. A suggestion was made that the database was more beneficial to SPJ in its quest for membership and that it would be better for SPJ to investigate and for SDX to consider funding. The Projects Committee with Dubin will investigate best way to move it forward and the matter will be revisited at the fall meeting.

Paul Ritchie and Jim Wolf from Schwab gave a brief presentation on how Schwab manages the SDX portfolio and assured the board that the Foundation funds were invested appropriately. The Schwab representatives announced that their company would be delighted to consider funding opportunities from SDX.

**GOVERNANCE COMMITTEE**

Hawes reported on proposed codification of responsibilities of SDX board members. He said that the committee carefully considered several models and decided against a formal contract. He welcomed input from the board on the draft document. Porter affirmed the document as a guideline to be used in recruitment and suggested that it should be included in the board of directors manual. Discussion concerned attendance and philanthropic directives.

Upon proper motion and second by McKerral and Geimann, respectively, the board adopted the suggested guidelines for serving on the Sigma Delta Chi Foundation Board of Directors. The document is attached to these minutes as Exhibit E.

Hawes presented a list of expiring board terms and stated that the committee will be developing a roster of candidates. Discussion concerned benefits of placing an SPJ member on the nominations committee and McKerral volunteered to serve. Hawes requested suggestions for nominations.

**GRANTS & AWARDS COMMITTEE**
Loop referenced the committee’s report concerning changing language in the SDX Foundation guidelines to require grant requestors to discuss how they would acknowledge the Foundation’s contribution and to discuss plans for promoting the product or service that was funded. Loop moved to adopt the change, Gillman seconded and the motion carried.

SPJ Requests: The Society of Professional Journalists submitted requests totaling $93,763 for National Convention Education ($12,500); Ethics Hotline and Ethics Section at SPJ.org ($7,957); Mark of Excellence Awards ($19,766); 2005 Ethics Week in Journalism ($20,840); Regional Conferences ($6,000) and Diversity Outreach ($26,700).

Upon proper motion and second by Loop and Stuart, respectively, the board approved a grant to the Society of Professional Journalists in the amount of $67,063 from the Pulliam General Fund for the above projects except Diversity Outreach. Brown abstained.

Loop reported that Sally Lehrman was asked for clarification concerning the Diversity Outreach proposal and he was still awaiting a response.

Upon proper motion and second by McKerral and Geimann, respectively, the board postponed consideration of the Diversity Outreach request until its fall meeting.

Roy Harris and the Poynter Institute: Roy Harris and the Poynter Institute submitted a $30,000 grant request to fund a series of case studies entitled “Gold Medal Stories: Case Studies Based on the Public-Service Pulitzer Prizes.” The committee did not recommend funding.

Upon proper motion and second by Loop and Geimann, respectively, the board declined funding for the Harris/Poynter request.

Florida First Amendment Foundation: The Florida First Amendment Foundation requested $20,000 to produce a series of Florida Open Government mini-seminars. Discussion concerned whether the focus was too narrow with only one state involved. It was noted that Florida is a hotbed of activity and could benefit from SDX Foundation help. A suggestion was made that the seminars could serve as a model for other states.

Upon proper motion and second by Loop and Carlson, respectively, the board approved a $20,000 grant to the Florida First Amendment Foundation to be paid from the Freedom of Information Fund. Geimann dissented stating that he could support a $10,000 grant.

National Conference of Editorial Writers Foundation: The NCEW Foundation submitted a request in the amount of $15,000 for a Minority Writers Workshop at Vanderbilt University. The program was held May 1-2, 2004. Loop stated that the committee had recommended funding and that NCEW would be contacted by Frank Gibson to indicate same. Because of that Gibson would recommend that the NCEW credit the SDX Foundation with sponsorship because the event was taking place before the board meeting. The Foundation had not received any indication that credit had been given to the Foundation nor was there any mention of Foundation support on the NCEW Web site. Based upon this information, the board declined to fund the 2004 Minority Writers Workshop.

Staff was directed to contact NCEW and encourage the organization to submit an amended proposal for the 2005 Minority Writers Workshop and submit the proposal in advance of the fall meeting of the board of directors.

It is added parenthetically to these minutes that the Foundation was informed after the meeting that credit had been given in the 2004 program materials. Pursuant to its authority, the Executive Committee met via conference call on Friday, May 21, 2004, and approved a $5,000 grant to NCEW for the 2004 Minority Writers Workshop.

Chicago Headline Club and Loyola University: The Chicago Headline Club submitted a grant request in
the amount of $23,242.80 in each of the next three years for continuation of the Ethics AdviceLine. Loop reported that the committee was recommending funding for one year only.

Concern was expressed that the Ethics AdviceLine was a duplication of SPJ efforts and that it was costly. It was acknowledged that it was important to push for reduction of duplication of effort but that it was of value to have Loyola identify more with SPJ. Further discussion indicated concerns over ratio of expense to number of calls received. Dubin reported that the Headline Club has improved marketing the AdviceLine and that credit has been given to SPJ and the Foundation. It was suggested that the grant be conditioned upon the compilation of information so that case studies can be utilized for SDX Foundation and SPJ promotion and education. Further discussion revealed the board’s desire to give the AdviceLine additional time to increase calls and that the Foundation would receive added value for the requested case studies.

Upon proper motion and second by Loop and Highland, respectively, the board approved a $23,242.80 grant from the Pulliam General Fund to the Chicago Headline Club and Loyola University for the Ethics AdviceLine, subject to the conditions that case studies be provided on a quarterly basis and a full report be provided at the end of the year.

National Press Foundation: The National Press Foundation submitted a grant request in the amount of $21,640 to develop a manual, “Covering Your State Capitol.” The committee recommended against funding. A motion and second by Loop and Stuart to decline funding was defeated. Discussion involved the fact that this project directly addressed the loss of capitol reporting. Some board members felt that paper copies were dated. McKerral argued in favor of awarding the grant, citing the reputation of the National Press Foundation and the importance of this particular project.

Upon proper motion and second by Geimann and Gratz, respectively, the board approved a $20,000 grant from the Pulliam General Fund to the National Press Foundation to develop a manual, “Covering Your State Capitol.”

Investigative Reporters and Editors: Investigative Reporters and Editors submitted a grant request in the amount of $30,000 to continue support for the joint IRE-SPJ Better Watchdog Workshops. The committee recommended funding this request. Discussion concerned the need for IRE and SPJ to better promote the workshops.

Upon proper motion and second by Loop and Brown, respectively, the board approved a $30,000 grant from the Pulliam General Fund to Investigative Reporters and Editors to continue the Better Watchdog Workshop program.

Black College Communication Association: Loop announced that there had been a late submission from the Black College Communication Association via Derick Hackett. The committee did not consider the proposal because it arrived after the submission deadline. Discussion concerned the need to maintain the Foundation deadlines and the fact that the proposal author did not respond to Harper’s request for more information. It was suggested that the board defer a decision to the fall meeting.

Upon proper motion and second by Carlson and McKerral, respectively, the board deferred action on the request from the Black College Communication Association until the fall meeting of the SDX Foundation board of directors.

MISSION COMMITTEE
Hawes referenced his written report and indicated that he had no more to add.

PROJECTS COMMITTEE
Fisher referenced the committee’s written report and updated the committee’s progress on State FOI audit kits, survey of journalism organizations and draft of model anti-SLAPP legislation. She invited the board to offer ideas for other projects. Fisher also mentioned that the committee is considering a project related to a proposal for bringing professional journalists into high school classrooms. Kirtley voiced concern that such a project might be unnecessary and suggested that the author of the proposal should contact other
groups, including professional SPJ chapters, to find out about any existing programs they have to send journalists/speakers into school classrooms.

**NEW DIRECTOR ELECTED**
Matt Winkler, Editor-in-Chief of Bloomberg News, was nominated by Ashton for a seat on the board of directors of the Sigma Delta Chi Foundation.

Upon proper motion and second by Hawes and Stuart, respectively, Matt Winkler was elected to the board of directors of the Sigma Delta Chi Foundation. Winkler’s term will expire at the 2004 National Convention at which time he will be elected to a full term. As an employee of Bloomberg News, Geimann abstained from the voting.

**401(K)**
Porter suggested that SPJ’s 401(k) plan that currently offers a three percent employer match be increased to six percent, the maximum allowed under law. The cost of the increase will be about $12,000 if every employee fully participates.

Upon proper motion and second by Gillman and Geimann, respectively, the board of directors voted unanimously to recommend to SPJ that the employer match be increased.

**FUTURE MEETINGS SET**
Porter announced that the next meeting of the Sigma Delta Chi Foundation Board of Directors will take place on Thursday, September 9, 2004, at the Grand Hyatt in New York City in conjunction with SPJ’s national convention. The spring 2005 meeting of the board of directors will be held in Indianapolis on Sunday, May 1.

The executive committee will next meet on Saturday, July 10, 2004, in Washington, D.C., in conjunction with the SDX Awards banquet and the SPJ executive committee meeting.

**ADJOURNMENT**
There being no further business to come before the board, Porter entertained a motion to adjourn. Upon proper motion and second by Geimann and Brown, respectively, the board unanimously voted to adjourn the meeting of the SDX Foundation Board of Directors at 12:05 p.m. on Sunday, May 16, 2004.

**EXHIBIT A**
**OBLIGATIONS OF SIGMA DELTA CHI BOARD MEMBERS**

The Sigma Delta Chi board of directors develops policies and sets goals. The board has the authority to delegate administrative tasks to paid staff. The board can never delegate or abdicate its responsibility to govern the foundation, ensure adequate funding and further its missions.

Every board member has an obligation to support the missions of the foundation by contributing talent, energy, ideas and financial resources.

Key responsibilities for the board:

1. Establish and maintain the foundation’s philosophy, purpose and missions.
2. Set a plan of work, stick to it and update it regularly.
3. Define policies to enable staff and volunteers to carry out the foundation’s missions.
4. Assess the board’s structure, membership and performance.
5. Ensure that human and financial resources are used effectively.
6. Enhance the foundation’s public image.
7. Ensure the organization operates within the law.
8. Assist in the foundation’s fundraising.

**EXHIBIT B**
EXHIBIT C

TO: Terry Harper
Executive Director
Society of Professional Journalists and The Sigma Delta Chi Foundation
FROM: William J. Culbertson

DATE: April 29, 2004
SUBJECT: Relationship Between Society of Professional Journalists and Sigma Delta Chi Foundation

This memorandum briefly summarizes the legal relationship between the Society of Professional Journalists (“SPJ”) and the Sigma Delta Chi Foundation (the “Foundation”).

Introduction.

SPJ and the Foundation enjoy a special relationship which allows the Foundation to function in tandem with SPJ to achieve common objectives. As described more fully below, the Foundation is a supporting organization to SPJ and engages in many charitable and educational activities – research, scholarships, fellowships, awards, seminars and a variety of services – which were previously undertaken by SPJ as well as new charitable and educational activities initiated by the Foundation. This relationship allows the Foundation’s activities to be funded by gifts and grants while the revenue of SPJ can be used to support the remaining activities of SPJ which promote the common business interests of its members.

Tax Classification of SPJ and the Foundation.

SPJ is classified for tax purposes as a tax-exempt professional association under Section 501(c)(6) of the Internal Revenue Code of 1986, as amended (the “Code”). While SPJ is a tax-exempt organization, it is not a charitable organization eligible to receive tax deductible contributions. As an organization described in Code Section 501(c)(6), SPJ may not, among other things, be organized for profit or operated for the benefit of any individual and its members must share a common business interest. In contrast to the Foundation, SPJ may, among other things, engage in legislative activity connected to the common business interests its members and participate in political campaigns.

The Foundation is a tax-exempt organization described in Code Section 501(c)(3). The Foundation is a “supporting organization” to SPJ and is organized and operated to support the charitable and educational activities of SPJ. As a charitable and educational organization described in Code Section 501(c)(3), the Foundation is eligible to receive deductible charitable contributions. The Foundation may not, among other things, be operated for the benefit of any individual, engage in carrying on propaganda or otherwise attempt to influence legislation as a substantial part of its activities or participate or intervene in political campaigns.

Charitable and Educational Activities of the Foundation.

The Foundation is organized and operated to conduct a broad spectrum of charitable and educational activities. These activities include the following:

1. The conduct of journalism research, directly or through fellowships, on matters of mutual interest with SPJ. Research papers will be produced and made available to the public. SPJ may use such research products in support of its programs and activities, including possible legislation, which SPJ desires to promote, provided, the Foundation has already made a substantial distribution of the research to the public for non-lobbying purposes. Note, however, that the Foundation is not required to conduct research at the request of SPJ. Nor should there be the appearance that the Foundation is doing research to advance SPJ’s legislative agenda.
2. The granting of scholarships, awards and prizes to encourage students and others to undertake journalism as a career, or to promote high standards in conduct of journalistic enterprise. Any such scholarships, awards or prizes must be granted on an objective and non-discriminatory basis. The Foundation could, but is not required to, establish a scholarship fund available only to SPJ members or family members if, among other things, the scholarship fund furthers the educational activities of the Foundation, is awarded on an objective and non-discriminatory basis and the class of potential SPJ recipients is sufficiently large to satisfy certain legal requirements.

3. The conduct of forums or seminars generally open to the interested public or broad segments of the public on matters public of interest and which are instructive. The Foundation is not limited to supporting only the specific educational programs of SPJ, but can do so as long as the programs and projects funded are in fact charitable and/or educational in nature. The Foundation can give a priority to support SPJ programs that qualify as “educational”, but is not required to do so by the terms of its governing documents. The professional development programs of SPJ, such as certain national convention programming, in general appear to qualify as appropriate “educational” activities the Foundation may support so long as any grant request made by SPJ precisely identifies specific costs associated with the “educational” programs and the Foundation funds are used only for those specific costs. The Foundation should pay only those costs for an “educational” program that are not funded by an allocable portion of convention fees.

4. The publication and dissemination of journals, newsletters and similar publications in furtherance of the Foundation’s Code Section 501(c)(3) charitable and educational purposes.

As the foregoing suggests, the Foundation is not limited to supporting only charitable or educational programs conducted by SPJ. The Foundation may either (i) limit its support to charitable or educational programs conducted by SPJ so as long as the programs and projects funded are in fact charitable or educational in nature; or (ii) give priority to SPJ charitable or educational programs in dispensing grants, but also undertake its own charitable or educational projects. The Foundation is permitted to undertake a broad variety other charitable and educational activities not associated with SPJ charitable and educational activities as long as such activities further the Foundation’s charitable and educational purposes described in the preceding paragraphs.

As noted above, the Foundation may properly make grants to SPJ as long as it can be clearly demonstrated that the grants are for one or more charitable or educational purposes. The Foundation cannot use any of its funds or income to support SPJ projects or programs unless such programs and projects are (i) charitable or educational activities consistent with the Foundation’s specified purposes (set forth above), (ii) the funds of the Foundation made available to SPJ are maintained in a separate account, and (iii) are separately accounted for in order to evidence that such funds are used only for charitable or educational purposes. That is, a grant from the Foundation to SPJ must be targeted for specific charitable or educational programs and not used by SPJ for general operations.

Control of the Foundation.

As a matter of non-profit corporate law, the Foundation is a subsidiary of SPJ and is controlled by SPJ. As noted above, SPJ and the Foundation are classified as tax-exempt organizations under different Sections of the Code and are separate legal entities. The Foundation’s Board of Directors is responsible for ensuring that the tax and legal requirements applicable to the Foundation are met. However, the Foundation, to meet the requirements for classifications as a “supporting foundation” of SPJ (and to avoid private foundation status), must be controlled by SPJ. This control requirement is met by the fact that SPJ controls the selection of the Foundation’s Board of Directors through the procedures set forth in Foundation’s Bylaws regarding the nomination and election of the Foundation’s Board. Through this process, SPJ is deemed to supervise the Foundation’s activities to the extent required by the tax laws.

The role of SPJ with respect to the Foundation is comparable to that of a shareholder of a for-profit corporation, who does not have the power to control day-to-day activities of the corporation. That power rests with the board of the corporation. Thus, the right of SPJ to control the membership of the
Foundation’s Board of Directors does not mean that the SPJ Board of Directors has the responsibility to review individual grant requests or other specific activities of the Foundation. Under non-profit corporation law, that is solely the responsibility of the Foundation’s Board. Nevertheless, the SPJ Board can by resolution make non-binding suggestions regarding the Foundation’s activities, grant priorities and/or grant guidelines. Moreover, if the SPJ Board does not believe the Foundation is undertaking the right charitable or educational programs, it may exercise its right to change the composition of the Foundation Board. But, the Foundation still must operate in a manner consistent with applicable laws governing charitable organizations, including not conducting activities or expending funds in a manner that improperly benefits SPJ.

Conclusion.

Despite the need to adhere to certain legal requirements in connection with the organization and operation of the relationship between the Foundation and SPJ, the advantages associated with the ability of the Foundation and SPJ to function in tandem to achieve certain charitable objectives outweigh the complexities. The Foundation is able to attract grants and deductible charitable contributions to fund projects which further the charitable and educational objectives which are important to SPJ. Thus, the Foundation provides access to financial support that otherwise would not be available.

cc: Bruce W. Sanford, Esq.
    Paul H. Feinberg, Esq.