

MINUTES OF THE
SEPTEMBER 22, 2008, MEETING
OF THE
BOARD OF REGENTS
OF THE
SMITHSONIAN INSTITUTION



Smithsonian Institution

SMITHSONIAN INSTITUTION
Minutes of the Meeting of the Board of Regents
September 22, 2008

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MINUTES OF THE BOARD OF REGENTS

September 22, 2008

ATTENDANCE

This regularly scheduled meeting of the Board of Regents was held on Monday, September 22, 2008, in the Regents' Room of the Smithsonian Institution Building. The meeting was comprised of plenary morning, afternoon, and executive sessions. As the Chancellor of the Smithsonian, Chief Justice John G. Roberts, Jr., was unable to attend the morning session, Board Chair Roger Sant called the meeting to order at 9:19 a.m. Present during the meeting were:

The Chief Justice ¹	Phillip Frost	Patrick Leahy ⁶
Xavier Becerra	Shirley Ann Jackson ⁵	Doris Matsui
Eli Broad ²	Sam Johnson	Roger W. Sant
Thad Cochran ³	Robert P. Kogod	Alan G. Spoon
Christopher Dodd ⁴	John W. McCarter, Jr.	Patricia Q. Stonesifer ⁷

L. Hardwick Caldwell, Chair, Smithsonian National Board

Vice President Richard B. Cheney was unable to attend either meeting.

Also present were:

G. Wayne Clough, Secretary
Charles Alcock, Acting Under Secretary for Science
Richard Kurin, Acting Under Secretary for History, Art, and Culture
Alison McNally, Acting Under Secretary for Finance and Administration
Patricia L. Bartlett, Executive Assistant to the Secretary
Amy Chen, Director of the Office of Investments
Virginia B. Clark, Director of External Affairs
John K. Lapiana, Chief of Staff to the Regents
Evelyn Lieberman, Director of Communications and Public Affairs
Alice C. Maroni, Chief Financial Officer
Carole M.P. Neves, Director of the Office of Policy and Analysis
Tom Ott, Acting President of Smithsonian Enterprises
Nell Payne, Director of the Office of Government Relations

A. Sprightley Ryan, Inspector General
Marsha S. Shaines, Acting General Counsel
Barbara Feininger, Senior Writer-Editor, Office of the Regents
Grace L. Jaeger, Program Officer, Office of the Regents
Scott Miller, Office of the Under Secretary for Science Senior Program Officer ⁸
John Yahner, Speechwriter to the Secretary
Jeffrey P. Minear, Counselor to the Chief Justice
Marie Fishpaw, Assistant to the Vice President
Lydia Griggsby, Chief Counsel for Privacy and Information Policy for the Senate Judiciary Committee ⁸
T.A. Hawks, Assistant to Senator Cochran
Colin P. McGinnis, Assistant to Senator Dodd
Kevin McDonald, Assistant to Senator Leahy
Melody Gonzales, Assistant to Congressman Becerra
David Heil, Assistant to Congressman Johnson
Alexis Marks, Assistant to Congresswoman Matsui

¹ The Chancellor, Chief Justice John G. Roberts, Jr., attended the afternoon plenary session and executive session.

² Mr. Broad departed at 11:12 a.m. and was not present for the consideration of proposed motions 2008.09.10—2008.09.34.

³ Senator Cochran arrived at 10:15 a.m. and was present for the consideration of all proposed motions.

⁴ Senator Dodd arrived at 9:50 a.m., departed at 10:45 a.m., and was not present for the consideration of proposed motions 2008.09.09—2008.09.34.

⁵ Dr. Jackson was unable to attend the afternoon meetings; she also abstained from voting on proposed motion 2008.09.06.

⁶ Senator Leahy arrived at 10:05 a.m. and was present for the consideration of all proposed motions.

⁷ Ms. Stonesifer abstained from voting on proposed motions 2008.09.23 and 2008.09.24.

⁸ Mr. Miller was present for the discussion of the proposed partnership agreement between the National Zoological Park and George Mason University; Ms. Griggsby was present for the discussion of the application of FOIA to Smithsonian policies and practices.

Prior to its morning plenary session, the Board took a short tour of the National Museum of Natural History's Sant Ocean Hall, which will open to the public on September 27, 2008. The morning session concluded at 12:05 p.m. and was adjourned for lunch. The Board reconvened for its afternoon plenary session at 1:14 p.m. The Chancellor presided over the afternoon session, which concluded at 2:20 p.m. and was followed by an executive session. The following matters were discussed:

MORNING PLENARY SESSION

OPENING REMARKS

Board Chair Roger Sant greeted the attendees and extended his appreciation to the Regents who were able to attend the prior evening's dinner. The event, which was held in the Kogod Courtyard at the Donald W. Reynolds Center for American Art and Portraiture, honored the Institution's supporters who have provided significant financial support over the last few years.

Mr. Sant directed the Board's attention to the timed meeting agenda and noted that Senators Dodd and Leahy would participate in part, but not all, of the Board's deliberations because of their Congressional responsibilities with regard to the nation's current economic crisis. He added that some of the Regents would offer committee reports on behalf of certain committee chairs whose commitments also would affect their participation in the day's proceedings.

On behalf of the Board of Regents, Mr. Sant then extended a special welcome to Secretary G. Wayne Clough, who began his tenure at the Smithsonian on July 1, 2008. Mr. Sant noted that in the three months since the new Secretary's arrival, Dr. Clough had been introduced to numerous Smithsonian units and staff members and participated in a series of constructive meetings with key Congressional stakeholders.

Mr. Sant also spoke of the moving memorial service recently held for Regent Emerita Anne d'Harnoncourt. The service for the late director of the Philadelphia Museum of Art was standing-room only and reflected the deep affection and respect held by citizens of both that city and the international art world. Mr. Sant added that Ms. d'Harnoncourt's final contribution to the Smithsonian was her membership on the Search Committee, which benefitted enormously from her keen insight and involvement.

REPORT OF THE CHAIR

Mr. Sant then directed the Regents' attention to the revised structure of the meeting agenda and the accompanying book of information papers, both of which were modified to better support the Board's deliberations and oversight of the Institution.

For the first time, all agenda topics were reviewed and considered by a Board committee in advance of consideration by the full Board. This change is intended to encourage more informed and nuanced Board discussions and decisions. With regard to the Regents' committees, Mr. Sant emphasized the critical importance of the Regents' participation in, and punctual attendance to, committee meetings, adding that achieving and maintaining a quorum had proven challenging.

Oversight of Smithsonian Enterprises

The oversight of Smithsonian Enterprises (SE), previously known as Smithsonian Business Ventures (SBV), was then discussed. Mr. Sant reminded the Board that the former SBV advisory board had been disbanded in response to the recommendations of the SBV Task Force. Although the oversight of many aspects of SE has been absorbed by standing Regents' committees, Mr. Sant noted that the supervision of SE activities could be enhanced further. Mr. Sant also was appreciative of the contributions of SE Acting President Tom Ott.

Inaugural Public Meeting of the Board

Plans for the forthcoming public meeting of the Board of Regents, scheduled for November 17, 2008, were reviewed. The meeting will be presided over by the Chancellor and will support the Institution's strategic planning initiative. Mr. Sant reported that the Governance and Nominating Committee and senior management have engaged the help of an outside consultant, BoardSource, to create a framework that will support a meaningful exchange of information between the Board and the public. Secretary Clough added that this meeting will present a tremendous opportunity for the Board to receive input from both staff and the public.

Communications

Mr. Sant next commented on several positive newspaper articles that had been posted recently. He said that the article about the pending motion to appoint Patricia Stonesifer as Vice Chair of the Board, effective immediately, and Chair of the Board, effective upon the January 2009 expiration of his term, had been well-received. He noted that two recent articles about Secretary Clough indicated a growing sense of renewed faith in the Institution and that the completion of the Regents' governance reform initiatives, which is anticipated to occur by the Regents' January 26, 2009, meeting, will firmly reposition the Institution on a forward-looking track. Mr. Sant added that he has met on an almost weekly basis with Secretary Clough since the Secretary's arrival. Mr. Sant concluded his remarks by reminding the Board that the January 2009 Regents' meeting will precede the formal installation of G. Wayne Clough as the 12th Secretary of the Smithsonian.

REPORT OF THE SECRETARY

Secretary G. Wayne Clough characterized his first three months in office as tremendously interesting, active, and enjoyable. He noted that he recently finished visiting all of the Smithsonian's museums and that he was in the process of completing his introductions to the rest of the Institution's units and advisory boards. He expressed his appreciation for new Smithsonian projects, such as the Sant Ocean Hall and the Kogod Courtyard, and the less-visible but equally significant contributions of staff, such as the Museum Research Center employees who are documenting the DNA of all living species.

New Executive Assistant to the Secretary

Secretary Clough then introduced the Institution’s new Executive Assistant to the Secretary, Patricia Bartlett. Ms. Bartlett was the Washington, D.C.–based Director of Federal Relations for Georgia Tech. Noting that the Institution has become too internalized, he said that Ms. Bartlett’s extensive experience and contacts with both for- and non-profits, think tanks, educational institutions, and government entities will facilitate the Institution’s efforts to improve its external connections and ability to develop collaborative relationships with outside organizations. He added that Ms. Bartlett also will support efforts to review and reshape management’s ability to accept and facilitate bottom-up proposals and projects.

Meetings with Stakeholders

Secretary Clough updated the Regents on his efforts to improve the Institution’s relationships with the media and the Hill. He said that he has made numerous visits to key stakeholders in the Congress, where he was consistently met with engaged interest and support. Secretary Clough reported that his interactions with the press have been generally positive and that he recently met with the editorial boards of the Associated Press and the *Washington Post*. He added that he would be meeting with the Institution’s directors the next day to review both the status of governance reform, as well as to discuss an upcoming review of institutional systems that is intended to reduce unnecessary administrative activities.

Competitive Bidding Threshold Changes

Secretary Clough said he anticipated that the Institution’s competitive bidding threshold will be raised from transactions over \$3,000 to those above \$10,000. Because some 60 percent of the Institution’s business is conducted within the \$3,000–10,000 window, the demands of an extensive competitive bidding process on administrative time and efforts would be significantly reduced.

Challenges to the Smithsonian

Secretary Clough then reviewed the challenges facing the Smithsonian. He characterized the ongoing reductions in Federal support and a lack of adjustments against inflation as a slow “death by small cuts” that has steadily eroded the Institution’s workforce. He said that the overall 10% reduction in staff over the last decade includes necessary staff increases for new museums and therefore does not convey in full the severe impact such cuts have made on units throughout the Institution. Moreover, the anticipated impact of the aging of the Institution’s workforce is a critical issue that must be addressed immediately. He added that this year marks the first time that the number of Smithsonian volunteers exceeds its employees.

Secretary Clough also commented on the aging of the Institution’s facilities. As would be explained later (and with more detail) in the report of the Facilities Committee, he said that management is continuing to clarify the scope of the problem. The Secretary also expressed his concern about the Institution’s ability to undertake new initiatives.

Opportunities for the Smithsonian

The Secretary then addressed areas of opportunity for the Institution. He said that although the Institution’s commitment to education is sound, it would benefit from an overarching education plan. He said that the Smithsonian’s ability to reach students beyond the fifth grade has not been realized. Ease of public access, including the digitization of collections and advancements in Web access, will be essential to the success of the Institution’s educational initiatives. Secretary Clough said that Acting

Secretary for History, Art, and Culture Richard Kurin and others are working on an effort to bring together recognized leaders in Web-based education (and other digital initiatives) and Smithsonian curators to discuss ways in which to promote access to the Institution and its collections. He emphasized that enhanced interdisciplinary research and training, educational initiatives, and collaborative partnerships will significantly support the Smithsonian's mission.

Immediate and Long-Term Priorities

Looking forward, Secretary Clough briefed the Regents on his immediate priorities. He noted that the development of a strategic plan will be a primary focus in the coming month. He reported that an organizational study soon will be launched with the anticipated support of outside experts. The study will review the Smithsonian from a number of perspectives, especially administrative and unit-level interactions, and is intended to support pan-Institutional oversight and collaborative abilities without suppressing creative initiatives and autonomy. It also will identify redundant activities and make plain the impact of understaffing on the success of Smithsonian programs.

The Secretary said that the generation of revenues that are mission-centric and promote self-reliance also will be an important focus. He added that training and education programs, to name a few, often offer revenue-generating potential or at least cost-recovery opportunities.

The development and launch of a capital campaign is also a key priority. The Secretary said that a pan-Institutional understanding of and commitment to the Institution's fund-raising needs must be fostered. He said that centralized oversight of all units' development activities must be increased but added that the development initiatives of individual units must be supported. Regarding the balance of centralized oversight and unit management, Secretary Clough again spoke of the need to identify and eliminate unnecessary activities and/or Castle mandates that waste valuable time and resources.

Secretary Clough said that, with the support of Ms. Bartlett and the Under Secretaries, he will encourage collaborative initiatives with other universities. He noted that he soon would be meeting with 13 university presidents regarding this priority, which, among other things, is intended to infuse the Smithsonian's ranks with more young people. He added that Dr. Kurin's pending meeting with leaders in Web-based initiatives and Smithsonian curators also is intended to generate new and exciting opportunities to extend the reach of the Smithsonian.

Senior Management Searches

Secretary Clough next provided status reports on the search to fill several senior-level positions. He said that the search for the next General Counsel, which is headed by Natural History Museum Director Cristián Samper, is being conducted with the help of an outside search firm and is well under way. He also expressed his respect and appreciation for the efforts of Acting General Counsel Marsha Shaines. The Secretary said that the search for the next President of Smithsonian Enterprises, which is currently being managed by Acting President Tom Ott, is drawing to a close and that final interviews are being conducted. He added that the search process for each of the Under Secretary positions soon will begin.

Unit Progress Reports

The Request for Quotation (RFQ) process for an architectural firm to design the National Museum of African American History and Culture is on track. Noting that the project will likely be the assignment of a lifetime, Secretary Clough said that over 200 inquiries have been made regarding the process.

The Secretary announced that the National Zoological Park successfully completed its reaccreditation process. He also reported on the status of the retail and catalog operations of Smithsonian Enterprises, noting that Mr. Ott recently added two highly skilled persons to the retail division. The impact of an industry-wide decrease in magazine ad revenues will continue to be of concern.

Legacy Fund

Secretary Clough commented on the Legacy Fund sponsored by Senator Dianne Feinstein and said that he had assured the Senator that the Institution is taking all possible actions to generate public support for it. He said that their discussions of the Legacy Fund have been instructive but that the Fund's terms are challenging. Secretary Clough reported that an internet-based fund-raising drive for the Fund has been successful and that \$350,000 has been raised to date.

Final Remarks

Secretary Clough said that his visits to various Smithsonian units have been rewarding and instructive, and that he looks forward to meeting the rest of the Smithsonian's internal stakeholders and learning more about their work. He praised the behind-the-scenes efforts of employees, citing actions by horticulture and building management staff to maintain and enhance the Institution's facilities, and spoke of the anticipated contributions the Smithsonian will make to the revitalization of the National Mall. In closing, the Secretary expressed his appreciation to the Board for the opportunity to serve as the 12th Secretary of the Smithsonian Institution.

REPORT OF THE SMITHSONIAN NATIONAL BOARD

The Report of the Smithsonian National Board (SNB) was presented by SNB Chair Hacker Caldwell. Mr. Caldwell reported that the Smithsonian National Board currently has 39 members, 17 honorary members, and 174 alumni and represents 30 states and Washington, D.C. He said that the SNB continues to fulfill its stated goals by conducting outreach in members' communities, advocacy within those communities, and fund raising, all on behalf of the Smithsonian.

Mr. Caldwell said that SNB members are pleased to be involved in the development of several Smithsonian initiatives. Members continue to provide advice and support for the Smithsonian's Leadership Development Program, including the forthcoming off-site, executive education week with Georgetown University in December 2008. SNB members also have been invited to participate in the Smithsonian's Strategic Planning process.

Board members and alumni recently hosted a number of Smithsonian events in their hometowns: a dinner party for Secretary Clough was held in San Francisco in July, a dinner for prospective donors was held in Minneapolis in July, and a luncheon for Contributing Members was held in June. A tea introduced a Renwick exhibition and its

curator to 30 guests in San Francisco in May.

Mr. Caldwell highlighted other National Board initiatives that sponsor Smithsonian outreach activities. In May 2008 the Smithsonian Across America Committee's "Help Wanted" list noted 32 opportunities to support Smithsonian National Programs events. Examples of members' responses include a member's "adoption" of a Cooper-Hewitt Summer Design Institute outreach program for a middle school in Chattanooga, Tennessee, an effort that entailed underwriting supplies for a sustainable school yard garden and atrium. Another member "adopted" a Smithsonian American Art Museum program and underwrote video conference equipment for the Museum's *Artful Connections* project.

SNB's Education Committee is collaborating with the Smithsonian Office of Policy and Analysis on its "mega-study" of Smithsonian education to ensure that the study's "best practices" component captures National Board members' knowledge. The Science Committee has underwritten the cost of the Tropical Extinction Crisis Symposium to be held at the Smithsonian in January 2009.

The Smithsonian National Board also continues to provide generous financial support to the Smithsonian. Major gifts by members total \$8.6 million and the Board Annual Giving campaign will again raise more than \$1 million in unrestricted monies for the Institution, which will be allocated at the discretion of the Secretary. In addition, Mr. Caldwell reported that the Board has responded generously to the August 2008 Legacy Fund appeal, with one member pledging \$100,000.

The National Board's leadership recently hosted Secretary Clough for a day-long visit in Chattanooga, during which time the participants discussed future SNB activities and the planning of upcoming Board events. Mr. Caldwell reported that, in the coming months, Board members and alumni will take leadership roles in introducing the Secretary to their communities. Acting as "ambassadors," these members will host Secretary Clough at events that include friends of the Smithsonian and other community leaders.

Mr. Caldwell concluded his remarks by noting that six new SNB members will be welcomed at the SNB Fall Meeting on October 23-25, 2008. Coming from Alaska, the Texas border, Denver, Boston, and elsewhere, these members will continue the National Board's tradition of geographical diversity and contribute a wealth of experience, accomplishment, and service.

REPORT OF THE EXECUTIVE COMMITTEE

Executive Committee Chair Roger Sant presented the report of the Committee, noting that a portion of his review would concern the Smithsonian's development of a revised policy with regard to Freedom of Information Act (FOIA) inquiries.

Mr. Sant first reported on the September 9, 2008, meeting of the Executive Committee,

which was held to review and approve the draft agenda book for the forthcoming Regents' meeting. Mr. Sant reminded the Regents of the revised structure of the Executive Committee, which now includes three members plus the Chancellor as an advisor, and stated that the new arrangement benefits the conduct of the meetings. The members approved the content of the book, as well as its revised layout.

**Progress on
Governance Reform
Initiatives**

The Chair then addressed the Board's efforts to implement the recommendations regarding the governance of the Institution, particularly with regard to transparency. He noted that the Board continues to support openness at the Smithsonian and make clear the responsibilities and activities of the Board. He encouraged the Regents to review the Board's Web site and the information it presents. He also directed the Regents' attention to a handout that compares the quantity and type of information on the Board's Web site with that found on comparable organizations' sites.

**Freedom of
Information Act
(FOIA) and the
Smithsonian**

Mr. Sant then discussed the status of the application of FOIA to Smithsonian operations. He reminded the Regents that, although there is a court opinion that the Smithsonian is not subject to FOIA, the Smithsonian embraced the purposes underlying the Act. However, some stakeholders requested that the revised policy presented in November 2007 be modified. Mr. Sant also commented on the pending "Open and Transparent Smithsonian Act of 2008," which would apply three additional Acts — the Privacy Act, the Federal Advisory Committee Act, and the Sunshine in Government Act — to the Smithsonian.

Working with Senator Leahy and his staff, a revised draft policy is being circulated with "requester groups" that include members of the media and other interested stakeholders. Critical guidance to this process was provided staff members of the Senate Judiciary Committee, which is chaired by Senator Leahy. Mr. Sant introduced Lydia Griggsby, the Chief Counsel for Privacy and Information Policy for the Senate Judiciary Committee to the Board and asked Dr. Shirley Ann Jackson to lead further discussions on the topic. Both Mr. Sant and Dr. Jackson expressed their appreciation for the enormous contributions of Senator Leahy, Ms. Griggsby, and the Senator's staff.

Dr. Jackson gave a brief overview of the proposed FOIA policy and noted that the draft has been circulated to interested groups for comment. She explained that the draft policy tracks FOIA and makes clear that information unique to the Smithsonian — donor records, investment strategies, and confidential revenue-generating business information — requires some form of protection.

Dr. Jackson emphasized that the Governance and Nominating Committee carefully reviewed and supports the revised policy. She noted that while FOIA allows external judicial review of denied requests, the revised policy proposes that, in lieu of external judicial review, the newly established Office of Government Information Services in the National Archives and Records Administration perform this function. Until that office is fully established, the policy directs appeals to the FOIA Ombudsperson at the Department of Justice.

Dr. Jackson said that the Governance and Nominating Committee strongly supports the implementation of the draft policy as soon as is practicable with the understanding that

further revisions may be made. In addition to moving this initiative towards closure, the Committee believes that it will help the Institution develop better processes by which it responds to requests for information.

Senator Leahy then commented on the proposed policy, expressing first his appreciation for the contributions of Senator Dodd, who offered his expertise as a member of the Senate Committee on Rules and Administration, as well as the work of Ms. Griggsby. He explained that, although great progress has been made in regaining the public's trust in the Institution, the requester groups remain uncomfortable and that more meetings should be held with these groups and additional work should be done on the Smithsonian's policy. Senator Leahy invited Ms. Griggsby to comment, who noted that the appeals process remains a major outstanding issue. Because FOIA contains a right of appeal to Federal court, and the current Smithsonian policy cannot, by law, confer similar rights, she said that it is of critical importance that a revised policy be developed that is as close as possible to FOIA. Senator Leahy added his belief that, although there is consensus that a revised policy should be implemented as soon as possible, additional time could — and should — be taken to analyze and develop it to ensure its efficacy.

Acting General Counsel Marsha Shaines was asked to comment. She noted that FOIA allows an external review through the courts. She also said that her office has conducted a thorough analysis of the Institution's practices with regard to not only FOIA, but also with the other provisions of the proposed bill. She said that her office has worked closely with Ms. Griggsby to craft a policy that is as close as possible to FOIA while making clear the Smithsonian's interpretations of particular exemptions with regard to its own unique activities.

The Board further discussed the benefits and drawbacks to implementing a draft policy that is still under development. Dr. Jackson expressed the Governance and Nominating Committee's belief that, in the spirit of transparency, the Institution should nevertheless begin the process of implementing a draft, albeit unfinished, policy and the Board concurred. She asked Ms. Griggsby to keep the Committee informed about any other areas in which requester groups have concerns. Congressman Becerra also requested that the Regents be kept as informed as possible about the Smithsonian's private-sector and donor activities.

Committee Charter

In concluding the report of the Executive Committee, Mr. Sant presented an amended Executive Committee Charter for the Board's consideration, noting that the proposed revisions are intended primarily to align it with the standard template for Regents' committee charters. The Board subsequently approved the amended Charter.

See attached Resolution 2008.09.01 (Minutes of the Board of Regents, Appendix A).

REPORT OF THE ADVANCEMENT COMMITTEE

Endowment and Donor Recognition

Advancement Committee Chair Alan Spoon reported on the Committee's inaugural meeting. Although there was not a quorum present at that meeting, a number of gifts were reviewed for recommendation to the full Board. Mr. Spoon said that the

Committee requested more information about the Smithsonian policy with regard to donor recognition on its Web pages. Mr. Spoon told the Regents that the Committee would apprise the Board of Regents of its findings.

A motion to approve six endowment and donor recognition actions was then proposed and seconded. Dr. Jackson, who is a member of the IBM Board of Directors, announced her abstention from voting on the IBM motion. The proposed motions were then approved.

See attached Resolutions 2008.09.02– 2008.09.07 (Minutes of the Board of Regents, Appendix A).

Committee Charter

Mr. Spoon then introduced the proposed Advancement Committee Charter. He noted that the purpose of the Committee is to oversee institutional advancement, philosophy, and policies; to provide guidance to the Secretary and senior Smithsonian staff on attracting private-sector support; to review proposed gifts and sponsorships that may require full Board consideration or action; and to provide leadership, guidance, and oversight of institutional development efforts including major fund-raising campaigns, as well as other responsibilities so delegated to the Committee. A motion to approve the Charter was then proposed, seconded, and approved.

See attached Resolution 2008.09.08 (Minutes of the Board of Regents, Appendix A).

Committee Composition

Mr. Spoon next addressed the composition of the Committee, which, in addition to the Chair, includes Mr. Caldwell, Dr. Frost, and Mr. Kogod, and said that he anticipated that its size would increase. He said that Director of External Relations Virginia Clark was helping compile lists of potential candidates who have the experience and ability to contribute to the Committee's activities.

Annual Giving Update

Ms. Clark then updated the Board on the status of annual giving to the Institution. After thanking the Board for their involvement in the prior evening's dinner in honor of the Smithsonian's donors, she said that overall contributions to the Institution currently stand at \$125 million. She confirmed that the Smithsonian National Board will reach its \$1 million annual unrestricted goal but noted that, the Contributing Membership Program is seeing lower revenues than projected. She emphasized, however, that the program continues to sustain its member base, adding that strategies to increase member acquisition and retention, as well as efforts to reduce program costs, continue to be developed.

Coordination of Advancement Activities and a Capital Campaign

Responding to Secretary Clough's earlier comments regarding the benefit of centralizing the oversight of certain Smithsonian activities, Mr. Spoon said that coordination of some of the Advancement Committee's activities with existing development efforts throughout the Institution would likely advance the collective interest of all; he added that the Committee's activities will overlap with those of the Strategic Planning and Programs Committee. He also spoke of Secretary Clough's numerous visits to the Hill to apprise Congress on the development of a capital campaign. The Advancement Committee will guide the development of a budget and implementation plan for the campaign.

Donor Cultivation and Disclosure

With regard to the previous discussion of best practices with regard to donor disclosure, Mr. Spoon asked the Office of External Affairs to conduct a review of the practices found at similar institutions. Ms. Clark responded that her office had already initiated such a review. Secretary Clough added that, by and large, most donors wish to be recognized. He said, however, that two questions often arise at public universities during discussions with potential donors. One regards the need to solicit private funding in support of what donors believe to be the responsibility of government with regard to public institutions and the other relates to concerns about possible cuts in government funding in response to increases in donations.

Secretary Clough said that the Smithsonian should have ready answers for both questions. He added that the Legacy Fund is an example of an opportunity to cultivate giving while clarifying the Federal government's role in the Institution's fund-raising process.

REPORT OF THE COMPENSATION AND HUMAN RESOURCES COMMITTEE

2009 Executive Compensation Decision Cycle

Compensation and Human Resources Committee Chair Patricia Stonesifer provided an update on the Committee's activities since the last Board meeting, noting that its efforts have primarily focused on the 2009 compensation decision cycle. The Committee has engaged PricewaterhouseCoopers (PwC) to assist in the process of determining compensation for approximately 225 executives at the Smithsonian. Ms. Stonesifer noted that PwC offers both expertise and continuity in this process as it was engaged to conduct a study of the Institution's Unified Compensation Philosophy last year. Ms. Stonesifer added that PwC will do a complete review of comparable data on compensation. PwC is assessing data from public universities and other not-for-profits. If such information is not available from those sources, the company will research such practices in the for-profit sector.

Ms. Stonesifer said that the Secretary will determine the compensation for roughly 190 Smithsonian positions and the Regents will focus on approximately 35 positions. Ms. Stonesifer invited comment on a suggestion to further reduce the latter number by assigning responsibility to the Committee for many of the 35 positions, leaving only the most senior positions (approximately 12) to be voted on by the full Board. Several Regents believed it was more productive to have management be responsible for the majority of the compensation decisions. Dr. Jackson proposed that the newly revised IRS Form 990 be integrated into the Board's compensation review process of top Smithsonian executives.

Smithsonian Enterprises

Ms. Stonesifer said that compensation for the executive positions in Smithsonian Enterprises (SE; previously known as Smithsonian Business Ventures, or SBV) will now fall under this Committee's purview. She reminded the Regents that the SBV Board's Compensation Committee previously determined the compensation for SBV executives. In response to the recommendation of the Business Ventures Task Force, that board was disbanded. The Regents will now be involved in determining

compensation and incentive programs for SE executives.

Impact of the Unified Compensation Philosophy

The Regents discussed the fact that 17 positions have been directly impacted by the recommendations of the Unified Compensation Philosophy. Because the Plan identified the positions as similar to existing Federal positions, their salaries will be brought in line with their Federal counterparts by January 2013. The Board discussed the impact of this decision on employee morale and retention. Secretary Clough agreed that this issue must be considered. The Board noted that the process of identifying and hiring the next General Counsel will likely reveal the impact, if any, of the Unified Compensation Plan on the Institution's hiring capabilities.

Office of Investments

Ms. Stonesifer discussed the proposed creation of a market-based salary and incentive program for members of the staff of the Office of Investments. She reminded the Regents that the Committee previously proposed, and the Regents approved, a market-based salary and incentive plan for the Chief Investment Officer. The new proposal could extend the approach of incentive-based pay to other Office of Investments staff. Ms. Stonesifer said that Secretary Clough is overseeing this review and will present a proposal to the Committee later this year.

Committee Goals

Looking forward, Ms. Stonesifer said that the Committee will soon engage in several new initiatives. She noted, among other things, the Committee's plan to examine the Institution's policies and practices with regard to diversity, as well as the results of an Institution-wide employee survey scheduled to conclude at the end of the month. Leadership development activities also will be considered in the Committee's efforts to secure and support the best possible leadership team for the Smithsonian.

Committee Charter

Ms. Stonesifer then presented an amended Compensation and Human Resources Committee Charter for the Board's consideration, noting that the proposed revisions are intended to align it with the standard template for Regents' committee charters. The motion was accordingly approved.

See attached Resolution 2008.09.09 (Minutes of the Board of Regents, Appendix A).

REPORT OF THE INVESTMENT COMMITTEE

Status of the Endowment

On behalf of Investment Committee Chair David Silfen, who was unable to attend the meeting, Committee member Eli Broad presented the report of the Investment Committee. Mr. Broad reported that, as of June 30, 2008, the Smithsonian Endowment stood at \$1.022 billion and its five-year annualized return performed in the top half of its peer universe. He acknowledged that current economic conditions indicate that the Endowment will likely move to a lower-return environment. He added, however, that the Endowment's nine percent annual return represents approximately half of the declines seen in many other organizations in the Institution's peer universe and praised Ms. Chen's management of the Endowment during this time of global financial instability.

Asset Allocations

Mr. Broad next reported on the Committee's July 8, 2008, meeting, during which three

primary topics were discussed. Mr. Broad said that the Committee made significant progress in its implementation of its new long-term policy and restructuring of the Institution's asset allocations, resulting in a total of 43 different funds. He said that the Institution had achieved reallocation to credit and distressed funds, 80 percent of the private equity target allocation, and about 50 percent of the allocation to real estate.

Oversight

To enhance the Committee's oversight of the portfolio and to deliver the best possible risk-adjusted returns, necessary tactical and management replacements across all asset classes also were implemented. Mr. Broad also noted that the cash position of the Endowment was increased from five up to 10 percent.

Regarding operations, Mr. Broad said that a private equity consulting firm was hired to monitor and track performance. He reported that the Institution's audit work and the staffing implementation plan were both on track. In closing, Mr. Broad notified the Board that the next meeting of the Investment Committee will be held on October 7, 2008.

LEGISLATIVE ACTIVITIES AND ISSUES

Secretary's Meetings with Congressional Stakeholders

Secretary Clough next reported on his visits with members of Congress, noting that he had already conducted 19 visits and that the overall tone of the discussions was positive. Members and their staff expressed to him a deep, abiding admiration for the Smithsonian. A consistent theme particularly expressed by members, he added, was support for the reopening of the Arts and Industries Building, as well as concern about the Institution's other facilities issues. Other topics included using "green technology" at the Smithsonian, progress on the Institution's governance initiatives, and identifying ways to deepen and strengthen the relationship between the Institution and key stakeholders on Capitol Hill. Secretary Clough also commented on the impact of a Continuing Resolution on the Institution's budget.

Update on Smithsonian-Related Bills

Office of Government Affairs Director Nell Payne then provided an update on the status of three construction bills, noting that consideration of them had stalled in the Senate due in part to an objection based on the Smithsonian's status under the Freedom of Information Act. Ms. Payne added, however, that the bill allowing the relocation of the Veritas telescope in Arizona had moved forward and was awaiting the President's signature. Ms. Payne also advised the Board that report language from the House Administration Committee had called into question the Smithsonian's authorization to proceed with the three construction projects despite the fact that appropriations for them have been made. She thanked the Congressional Regents and their staff for their efforts with regard to this setback. She added that both her office and the Office of General Counsel are researching the issues and that she anticipates providing the Board with an update at a future meeting.

REPORT OF THE ACTING GENERAL COUNSEL

New IRS Form 990

The General Counsel's report was presented by Acting General Counsel Marsha Shaines, who provided an overview of the new IRS Form 990, the tax information

return that not-for-profit organizations are required to file, and its impact on the Smithsonian. Ms. Shaines noted that this is the first comprehensive revision of the form in 30 years and characterized it as an “organizational autobiography” that, in addition to providing financial information about the Smithsonian, will report on the Institution’s governance structure and activities, choices of resource allocations, and use of its collections. She anticipates the Smithsonian will be required to file 13 of the 16 new schedules in addition to the core form that is required of all filing organizations, and that the form will require additional staff time to complete and the coordination of at least 19 Smithsonian offices and several Regents’ committees. The first filing will be in summer 2010 for fiscal year 2009 and will be widely available to the public, donors, the media, and other stakeholders.

The new form reflects the IRS’s decision to increase its oversight of non-profits’ governance practices and policies, including those that pertain to conflicts of interest. For instance, the section of the core form entitled “Governance, Management, and Disclosure” requests information about the composition, structure, and governance practices of an organization’s governing board, including how meetings are documented and if the board reviews the Form 990 prior to its filing. Ms. Shaines said that the Audit and Review Committee is developing a process to facilitate the Board of Regents’ review of the new form.

The new Form 990 requests detailed information on the compensation (including non-taxable benefits) of officers, trustees, and key employees and will require the Institution to provide information on a greatly expanded number of personnel, including former officers, trustees, and key employees. The new form also contains a new schedule — Schedule M, “Non-Cash Contributions” — that requires extensive reporting of non-cash contributions, including historical artifacts, collectibles, and scientific specimens. Ms. Shaines said that the Office of General Counsel and the Office of the Comptroller are working with the Smithsonian’s National Collections Program to develop appropriate record-keeping systems to support accurate reporting. Dr. Frost asked if the requirements of Section M might create a possible conflict for donors with regard to the valuation of their non-cash contributions. Ms. Shaines said the form does not require contributions of objects for the collections to be valued.

The Regents discussed the underlying reasons for the changes to the form. Ms. Stonesifer said these revisions arose in part because of recent abuses of donated funds by some non-profits. The Board concurred that the new Form 990 reflects a larger trend towards the increased transparency in the operation of non-profit organizations and agreed that the Institution should be as transparent and responsive as possible.

REPORT OF THE AUDIT AND REVIEW COMMITTEE

Audit and Review Committee Chair John McCarter reported the Committee had conducted two meetings since the last Regents’ meeting. The July 8, 2008, meeting was devoted to governance issues and included reports from four working groups charged with the governance reform items under the Committee’s purview. The September 18, 2008, meeting marked the beginning of the Committee’s engagement on

the Institution's fiscal year 2008 financial statement audit. At that time, the Institution's auditor, KPMG LLP, presented its audit plan for fiscal year 2008.

**Fiscal Year 2008
Financial Statement
Audit**

Mr. McCarter said that KPMG did not report any major changes in the scope or process of the audit, although he noted that for the first time this audit will include a statement of the final net margin for Smithsonian Enterprises. Working with the Inspector General, KPMG anticipates that it will complete its audit a little earlier than last year. KPMG also reported on the completion of the fiscal year 2007 A-133 audit of the Institution's grant and contract activity which they performed in concert with the Defense Contract Audit Agency. Mr. McCarter noted that the Smithsonian received an Unqualified Opinion.

**Application of
Sarbanes-Oxley Act**

The Committee also discussed the applicability of the Sarbanes-Oxley Act to the governance of not-for-profit organizations. As Sarbanes-Oxley, which was written to regulate for-profit organizations, largely focuses on the ethical, procedural, and business judgment tone set by the senior leadership of an organization, the Committee determined that the Smithsonian, at a minimum, should comply with the spirit of the Act, including its consideration of such issues as conflicts of interest and disclosure. The Committee agreed, however, that the application of Section 404, the documentation of internal controls, is extremely costly and not an efficient use of funds for not-for-profit organizations. For that reason, most of these organizations do not appear to be moving towards compliance with Section 404. The majority of the Committee, however, believes that the Institution should continue its review of internal controls and looks forward to reviewing management's plan to improve controls that will strengthen the Institution's 404 compliance posture. The Committee also requested KPMG to provide information regarding the pros and cons of moving to a five-year audit partner rotation, which is in keeping with Sarbanes-Oxley, as well as the Committee's preference.

**Committee Review of
New IRS Form 990**

Mr. McCarter said that the Committee devoted a significant portion of its September meeting to a discussion of the new IRS Form 990. He added that, just as the Regents had received a substantive overview of the form from the Acting General Counsel, the new 990 has been discussed at length by the Governance and Nominating Committee, as well as the Compensation and Human Resources Committee. He said that the Regents, now being well-informed about the implications of the new 990, should monitor the implementation of the new form. As the new form will apply to fiscal year 2009, the Institution will file its first 990 in the summer of 2010. To facilitate the filing, the Committee proposes that three Regents' committees — Audit and Review, Compensation and Human Resources, and Governance and Nominating — conduct a half- or full-day review of the completed form prior to its submission to the IRS in the summer of 2010. As previously noted by the Acting General Counsel, the Committee also proposes that the Institution now incorporate a comprehensive review of all funding and expenses, including the full activity of the Federal appropriations and expenses, in the new 990. Mr. McCarter said that a short paper outlining the pros and cons of this change will be provided to the Audit and Review Committee.

**Chief Financial
Officer's Update and
Inspector General's
Audit Plan for Fiscal
Year 2009**

Chief Financial Officer Alice Maroni updated the Committee on progress towards completion of Governance Reform Recommendation 23 and efforts to ensure the integrity of Institution's financial information. With the support of Booz Allen Hamilton, Ms. Maroni reported that a full review of the internal controls associated with 23

financial processes will likely be completed by November 2008, but certainly no later than January 2009. In addition, she informed the Committee on the progress that has been made with regard to hiring additional audit accountants. Inspector General Sprightley Ryan also presented her audit plan for fiscal year 2009. Mr. McCarter said that the Committee, with KPMG present, then conducted executive sessions with the Inspector General and with the Chief Financial Officer, after which the Committee and the Secretary met alone.

**Staffing in the
Office of the
Inspector General**

In response to Mr. McCarter's report and the Inspector General's audit plan for fiscal year 2009, a copy of which was included in the Regents' agenda books, Senator Leahy asked if the Office of the Inspector General was sufficiently staffed. Ms. Ryan responded that, although her office would clearly benefit from the addition of staff, it is doing relatively well given the overall shortage of staff throughout the Institution. She said that, until staffing shortages are addressed in certain sectors of the Institution (such as the need for more accountants in the Office of the Chief Financial Officer), the Office of the Inspector General likely will continue to identify in her audits some issues (such as the need for more internal documentation control) that can only be addressed with the infusion of more personnel. Ms. Ryan added that the change in the reporting structure — the Smithsonian's Inspector General now reports directly to the Board of Regents — has enhanced the ability of her office to conduct its oversight responsibilities; she also noted that the office will receive two more positions if the appropriations bill for fiscal year 2009 is passed by Congress.

REPORT OF THE STRATEGIC PLANNING AND PROGRAMS COMMITTEE

Committee Chair Doris Matsui presented the Report of the Strategic Planning and Programs Committee. The Committee held its inaugural meeting on September 15, 2008, after preliminary meetings among Ms. Matsui, Secretary Clough, and Mr. Sant.

**Proposed
Partnership
Agreement: National
Zoological Park and
George Mason
University**

Ms. Matsui first reviewed a proposed collaboration between the National Zoological Park (NZIP) and George Mason University (GMU). The proposed partnership agreement, which is supported by the Committee, would develop an academic training program in conservation science at the NZIP's Conservation and Research Center in Front Royal, Virginia. Ms. Matsui emphasized that the jointly managed and funded initiative is non-exclusive and would not add to the Institution's overall maintenance backlog. She directed the Regents' attention to the proposed Memorandum of Understanding found in their agenda books, which specifies the agreement would last 30 years, after which the buildings constructed for the program would revert to the Smithsonian for its use.

Secretary Clough endorsed the proposal, noting that the partnership will further conservation education by providing students, faculty, and a tuition stream. He cited other successful collaborations between the Smithsonian and academic institutions, such as the Cooper-Hewitt/Parsons School of Design partnership, and expressed his intention to revitalize the Institution's visiting scientist program. Acting Under

Secretary for Science Charles Alcock said that academic partnerships such as this will provide strength and depth to the Institution's training opportunities. He added that academic partnerships will be increasingly important to both the future of the Institution and the next generation of researchers, and said that the NZP-GMU collaborative will likely provide inspiration for the development of other partnerships. A motion to endorse the proposed Memorandum of Understanding was proposed, seconded, and approved.

See attached Resolution 2008.09.10 (Minutes of the Board of Regents, Appendix A).

Strategic Planning Initiative

Ms. Matsui and Secretary Clough gave a report on the large-scale, year-long strategic planning initiative the Institution is about to undertake. The combined efforts of Booz Allen Hamilton (BAH), Global Business Network (GBN), and the Smithsonian's Office of Policy and Analysis will seek to engage all Smithsonian stakeholders in the development of a "living document" that articulates the Institution's role in the 21st century. The dynamic plan will project some 30 to 40 years into the future while, through a process of ongoing review and renewal, adapt as needed to changing conditions. It will inform the Smithsonian's upcoming capital campaign and support efforts to explain the Institution's unique status to the Congress.

Secretary Clough said that GBN is recognized for providing strategic expertise in scenario-based planning initiatives. Ms. Matsui reminded the Regents that GBN Co-Founder and Chairman Peter Schwartz would share his views with the Regents during their luncheon break and that BAH Senior Vice President Reggie Van Lee also would be present. Mr. Kogod asked about the contract fees for the project and Ms. Maroni provided the Board with background on the potential contract costs.

The focus of the Regents' first annual public meeting, which is scheduled for November 17, 2008, will be supporting the Secretary's strategic planning initiative. The event will offer the Regents the opportunity to receive first-hand input from the public and allow Smithsonian stakeholders an opportunity to observe the Regents' deliberations.

Committee Charter

Following the discussion of the Smithsonian's strategic plan, Ms. Matsui presented the Charter of the new Committee for the Regents' approval. The Charter notes that the Committee will oversee the development and implementation of a pan-institutional strategic plan; provide programmatic guidance and direction; review major programmatic initiatives; and help promote collaborations that link the Institution's units, as well as between the Smithsonian and outside institutions. She pointed out that the previously approved motion to support an educational partnership between the National Zoo and George Mason University was an excellent example of the Committee's mission in action. The motion to approve the Charter was accordingly approved.

The Board adjourned for lunch at 12:05 p.m.

See attached Resolution 2008.09.11 (Minutes of the Board of Regents, Appendix A).

AFTERNOON PLENARY SESSION

The Chancellor called the afternoon session to order at 1:14 p.m.

REPORT OF THE GOVERNANCE AND NOMINATING COMMITTEE

Board Cultivation and Self-Assessment Survey

On behalf of the Governance and Nominating Committee Chair Shirley Ann Jackson, Regent Doris Matsui reported on the Committee's work over the past four months. She noted that the Committee had engaged outside consultants Isaacson, Miller to assist in strengthening the pool of potential Regent nominees. The goal of the Committee is to present two nominees for consideration to the full Board at its November 2008 meeting. Ms. Matsui next noted that Regents will receive the first self-assessment survey, the results of which will be reviewed by the Committee. The Committee will then report back to the Board with potential next steps in the near future. She added that the Committee would like to regularly conduct this self-assessment process, ideally on an annual basis.

Advisory Board Appointments

Ms. Matsui explained that among the new tasks assigned to the Committee is the initial review of appointments to various Smithsonian advisory boards. She reported that the Committee reviewed the nominations presented to the Board and recommended their approval. With regard to the reappointments recommended to the Advisory Council of the National Museum of African American History and Culture, Ms. Matsui noted that the Council, along with Secretary Clough and Museum Director Lonnie Bunch, asked that the term-limit provisions — two terms — contained in the statute creating that Museum be waived on the grounds that these members' continued service will benefit the Museum as it enters a critical fund-raising and planning period. Pursuant to the Smithsonian's Charter, the Regents possess the authority to waive certain advisory board term limitations established by statute. Ms. Matsui added that the Advisory Council of the National Museum of African American History and Culture is in the process of permanently revising its bylaws to address term limitations, as well as the Council's size.

The Regents then agreed to waive the term-limit provision for the Advisory Council of the National Museum of African American History and Culture and approved the nominations for appointment and reappointment to 10 Smithsonian advisory boards.

See attached Resolutions 2008.09.12 – 2008.09.21 (Minutes of the Board of Regents, Appendix A).

Committee Charter

Ms. Matsui explained that over the past six months, the Committee and staff have developed a template for use by Regent committees in drafting their charters. In creating that document, she added, the Governance and Nominating Committee concluded that its Charter, approved by the Board last May, required some minor changes to conform to the template. In addition, the Charter also was updated to implement a key recommendation adopted by the Board at its May 2008 meeting regarding the roles of Governance and Nominating and the Executive Committees.

The Charter now contains a provision stating that that the Executive Committee will provide periodic reports on any decisions and substantive actions taken between full Board meetings to the Governance and Nominating Committee. The proposed Charter was accordingly approved.

See attached Resolution 2008.09.22 (Minutes of the Board of Regents, Appendix A).

Bylaw Amendments

The Board then considered a series of proposed improvements to the Regents' Bylaws. On August 23, 2008, pursuant to Bylaw 1.02, all Regents received a revised set of Bylaws along with an explanation of the proposed changes. The amendments, Ms. Matsui explained, were approved by the Committee over the summer and were designed primarily to implement the recommendations adopted by the Board regarding the size, structure, and composition of the Board. The proposed changes address the creation or refinement of committee mandates, as well as the positions and responsibilities of Board officers. The Committee also accepted certain staff recommendations to create specific bylaws to describe the positions of Inspector General and Chief of Staff to the Regents, in addition to addressing the making and maintenance of Board minutes, balloting, and records. Some additional, non-substantive recommendations were received during the 30-day comment period and were included for the full Board's consideration. Ms. Matsui noted that future changes in the Institution's organizational structure may require future modifications to the Bylaws.

A number of amendments, she reported, were not substantive and generally corrected inconsistent style or promoted agreement between individual bylaws. She stressed that one seemingly minor change was representative of an important shift in the Committee and the Board's thinking. In revised Bylaw 2.10, the Committee recommended that meeting minutes be made available as soon as practicable to not only the Board and the Congress, but also the public. This, Ms. Matsui emphasized, is another acknowledgement of the Regents' commitment to the transparency of its actions. Following a brief discussion, the Regents approved the adoption of the Bylaw amendments.

See attached Resolution 2008.09.23 (Minutes of the Board of Regents, Appendix A).

Election of the Vice Chair

Ms. Matsui noted that the newly adopted Bylaws created the position of Vice Chair of the Board. In anticipation of the Board's adoption, the Committee recommended the election of Patricia Q. Stonesifer to that position, effective immediately. Ms. Stonesifer, who abstained from the vote, was unanimously elected to the position.

See attached Resolution 2008.09.24 (Minutes of the Board of Regents, Appendix A).

Election of the Chair

The Regents next turned to the election of a Chair to succeed Mr. Sant when his term expires in January 2009. Ms. Matsui noted that Mr. Sant suggested that this election be conducted in September 2008 rather than January 2009 to ensure a smooth transition of authority and added that the Committee recommended Patricia Q. Stonesifer be elected Chair. If elected, Ms. Matsui explained, Ms. Stonesifer would serve as Vice

Chair and Chair-Elect until the Board's January 2009 meeting, at which time a replacement will be elected to succeed her as Vice Chair. The Board then elected Ms. Stonesifer, who abstained from the vote, to a one-year term as Board Chair effective January 28, 2009.

See attached Resolution 2008.09.25 (Minutes of the Board of Regents, Appendix A).

Regents' Position Descriptions

Lastly, Ms. Matsui reminded the Board that the Committee's recommendations regarding the size, structure, and composition of the Board were based on the consultants' report that suggested certain refinements to the "position description" for Regents. As a result, the Committee proposed that a revised version of the Regent's position description explicitly state that Regents are accountable for executing their responsibilities with due care. In addition, the proposed changes are intended to clarify the Chancellor's role, which is to preside over meetings, while the Chair's remains that of being the overall leader of the Board. In addition, the Committee revised the Chancellor's description to reflect that he participate with the Executive Committee in the development of the agenda for Board meetings. Without discussion, the Board approved a motion to adopt the revised statement of the "Duties and Responsibilities of the Regents."

See attached Resolution 2008.09.26 (Minutes of the Board of Regents, Appendix A).

REPORT OF THE FACILITIES COMMITTEE

Committee Chair Robert Kogod presented the Report of the Facilities Committee. The Committee met on September 4, 2008, and discussed several issues that reflect its increased oversight and advisory responsibilities. Mr. Kogod said that the Committee also discussed the status of the Legacy Fund challenge.

Proposed Lease Agreement for Cooper-Hewitt, National Design Museum

Mr. Kogod then presented a new proposed lease agreement for space to accommodate collections, labs, and photo studios for Cooper-Hewitt, National Design Museum, during its planned renovation. He reminded the Board that the parameters of another proposed agreement had been approved by the Board during its May 2008 meeting. That agreement, he said, had since fallen through, which led to the negotiation of the proposed agreement now before the Board. Mr. Kogod noted that the terms and conditions of the new lease agreement are as good as, if not better than, the prior agreement and that, like the earlier agreement, was subject to approval by the Board because its net present value was over \$10 million. The motion was accordingly approved.

See attached Resolution 2008.09.27 (Minutes of the Board of Regents, Appendix A).

Arts and Industries Building Update

Mr. Kogod next presented an update on the Arts and Industries Building. Because the Board previously suspended the pursuit of a private/public partnership to revitalize

the building, the Institution has developed a plan to stabilize the property for the short term until a long-term use is determined. The \$75 million plan will stabilize the building's roof, exterior shell, and interior infrastructure.

When questioned about the funding source the plan, Secretary Clough explained that there is not a formal Federal funding request at this time because the recent exploration of a private/public partnership had removed the building from the list of Smithsonian facilities prioritized for revitalization. He said, however, that the Institution is in the process of reestablishing the building as a priority and that he has been encouraged by the fact that the House included funds for the building in its proposed fiscal year 2010 budget. He also reminded the Regents of Congress's expressed interest in seeing the building renovated and open to the public. Secretary Clough said that he has initiated a "possibility study" of potential uses for the building and noted that volumes of suggestions for the creative use of the building had been received from staff in response to Acting Secretary Samper's request for their input.

Mr. Kogod also clarified an issue left unresolved at the last Regents' meeting. He said that the Regents' prior decision to close the Arts and Industries Building had been supported by three well-documented engineering studies overseen by the Smithsonian's Office of Facilities Engineering and Operations.

Master Plans for Two Facilities and the Committee Charter

Mr. Kogod then directed the Board's attention to the master plans for the National Zoological Park and the Smithsonian Environmental Research Center. He noted that the Facilities Committee had affirmed both plans. The amended Charter of the Facilities Committee was then presented for the Regents' consideration. Mr. Kogod explained that the proposed changes will align the Charter with the standard template for Regents' committee charters. Accordingly, the motion was approved.

See attached Resolution 2008.09.28 (Minutes of the Board of Regents, Appendix A).

REPORT OF THE FINANCE COMMITTEE

Fiscal Year 2008 Financial Report

Robert Kogod presented the report of the Finance Committee on behalf of Committee Chair Eli Broad, who was unable to attend this portion of the Regents' meeting. Mr. Kogod said that the Finance Committee's September 16, 2008, meeting included a review of the Institution's fiscal year 2008 financial report. He reported that the Institution is in sound financial condition, with net income from Smithsonian Enterprises on track to exceed budget. He said that private-sector giving has been stronger than expected, but added that the Institution is cautious about future giving trends. The forecast for the Institution's diversified investment portfolio was prepared in August 2008 and projects a value of \$1.021 billion at year-end. The poor performance of the financial markets is evident in the fiscal year-end forecast for the Institution's net assets, which anticipates a decrease of \$10 million, or \$43 million below budget.

**Fiscal Year 2009
Federal and Trust
Budgets**

The Committee also received a presentation on the fiscal year 2009 budget, which anticipates the impact of a six-month Continuing Resolution. Management has implemented a Federal hiring freeze and will postpone the replacement of vehicles and obsolete computers. The fiscal year 2009 fund-raising goal is \$130 million, including restricted and unrestricted contributions.

Mr. Kogod said that creating the fiscal year 2009 budget was extremely challenging and credited the Chief Financial Officer and the Acting Under Secretary for Finance and Administration, as well as their staff, for their efforts. The exceptionally tight budget has required units across the Smithsonian to carefully review their Federal and Trust budgets and make necessary sacrifices.

Mr. Sant noted that the projected Endowment return of \$40 million may change in response to factors outside of the Institution's control. Secretary Clough commented that the Endowment's payout is based on a trailing average value of the Endowment over the prior five years, which is of benefit to the Institution. Chief Financial Officer Alice Maroni then explained that, with respect to the fiscal year 2009 budget, management made a conservative decision not to predict the market's performance and included the Institution's earnings benchmark as a placeholder with respect to the Endowment.

The Regents then approved the budget of appropriated funds for fiscal year 2009, when signed into law by the President, and authorized the Secretary to expend such funds. It was noted that any material changes in program plans incorporated into the Federal budget would be made only with the approval of the Board of Regents or its Executive Committee.

See attached Resolution 2008.09.29 (Minutes of the Board of Regents, Appendix A).

The Regents next approved the budget for Trust funds for fiscal year 2009 and authorized the Secretary to expend such funds. It also was noted that any material changes in program plans incorporated into the Trust budget would be made only with the approval of the Board of Regents or its Executive Committee.

See attached Resolution 2008.09.30 (Minutes of the Board of Regents, Appendix A).

**Fiscal Year 2010
Federal Budget**

The proposed fiscal year 2010 Federal budget was then discussed. Mr. Kogod reminded the Regents that, contrary to normal practice, the Office of Management and Budget (OMB) is not conducting its normal budget-building process this year because of the upcoming change in the Administration. Regardless, the Institution decided to proceed with its usual programmatic decision-making process in preparation for possible questions from OMB or a submission request from the presidential transition team.

Consistent with past requests that were supported by the Board, management developed a proposed Federal budget that accurately reflects the Institution's needs and not the significantly lower Federal budget it anticipates it will receive. Mr. Kogod

said that the Committee therefore recommends that the Board of Regents submit a fiscal year 2010 Federal budget that is \$167 million more than the fiscal year 2009 appropriation request, an increase of 23%. The Regents then approved the Smithsonian Institution budget request for appropriated funds for fiscal year 2010 for presentation to the Office of Management and Budget. It was noted that any material changes in program plans incorporated into the Federal budget would be made only with the approval of the Board of Regents or its Executive Committee.

See attached Resolution 2008.09.31 (Minutes of the Board of Regents, Appendix A).

Reassignment of Funds to the Archives of American Art Endowment

Mr. Kogod then discussed a proposal to reassign \$2.36 million within the Institution's Endowment to the Archives of American Art (AAA) Endowment. The funds represent the remainder of a grant that AAA received for the purpose of consolidating its collections and operations at the Victor Building. The Board accordingly approved the motion.

See attached Resolution 2008.09.32 (Minutes of the Board of Regents, Appendix A).

Committee Charter

The amended Finance Committee Charter was next presented. Mr. Kogod noted that the primary changes in the Charter reflect the Regents' May 2008 decision to establish a standing Investment Committee and divide the duties of the former Finance and Investment Committee accordingly. The proposed motion was accordingly approved.

See attached Resolution 2008.09.33 (Minutes of the Board of Regents, Appendix A).

Creation of the Reynolds Center Enhancement Fund

The Regents then considered a proposal to place \$1.3 million from the Institution's working capital into a newly created quasi-endowment fund to benefit the Donald W. Reynolds Center for American Art and Portraiture. Mr. Kogod explained that the funds represent an earlier advance made by the Smithsonian American Art Museum on behalf of the National Portrait Gallery for the purpose of maintaining the construction and renovation schedule of the Reynolds Center. As the National Portrait Gallery does not have sufficient monies to repay the advance, management proposes repaying the Smithsonian American Art Museum with working capital funds that would be placed in a quasi-endowment fund for five years in anticipation of future work on the F Street stairs project. Accordingly, the Regents approved the creation of the Reynolds Center Enhancement Fund and the transfer of \$1.3 million in Trust funds from the Institution's working capital to fund the new quasi-endowment.

See attached Resolution 2008.09.34 (Minutes of the Board of Regents, Appendix A).

Oversight of Smithsonian Enterprises

Mr. Kogod closed his remarks by noting that Tom Ott, the Acting President of Smithsonian Enterprises, presented a fiscal year 2009 budget and capital plan that projects a \$27 million gain for fiscal year 2009. Mr. Kogod said that, in the absence of an advisory board for Smithsonian Enterprises, the Finance Committee has assumed oversight responsibilities for the unit's budget. As previously noted in this meeting of the Board of Regents, Mr. Kogod said that the development of an appropriate oversight structure for Smithsonian Enterprises is an issue that requires further consideration.

ADJOURNMENT

There being no further business, this regular meeting of the Board of Regents was adjourned at 2:19 p.m. The Regents then met in executive session until 3:10 p.m.

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, appearing to read "G. Wayne Clough", with a long, sweeping flourish extending to the right.

G. WAYNE CLOUGH
SECRETARY

MINUTES OF THE BOARD OF REGENTS

September 22, 2008

APPENDIX A APPROVED RESOLUTIONS

VOTED that the Board of Regents approves the amended Charter of the Executive Committee.
[2008.09.01]

VOTED that the Board of Regents gratefully creates and names The Coralyn Wright Whitney Endowment, an endowment to support gem acquisitions and activities related to the National Gem Collection. The Board also approves using the funds identified for this purpose.
[2008.09.02]

VOTED that the Board of Regents recognizes the generosity of Helen Marsh Reinsch to the National Portrait Gallery and creates and names the Reinsch Family Education Endowment to support the Gallery's educational programs. [2008.09.03]

VOTED that the Board of Regents creates and names The Edward B. and Phyllis E. Reed Endowment for Copepoda Research at the National Museum of Natural History, an endowment to fund and facilitate original scholastic research and study of copepoda. The endowment is to be administered through the Department of Invertebrate Zoology or an appropriate successor entity or entities. [2008.09.04]

VOTED that the Board of Regents creates and names the Zug Family Amphibian and Reptile Endowment for the Smithsonian Institution Libraries, the purpose of which shall be to supplement annual subscriptions to serial publications dealing primarily with the biology, evolution, and systematics of amphibians and reptiles. [2008.09.05]

VOTED that the Board of Regents recognizes the generosity of the IBM Corporation and accepts the terms of the gift agreement. [2008.09.06]

VOTED that the Board of Regents recognizes the generosity of Daniel Sienkiewicz to the National Air and Space Museum and permits his bequest gift of \$345,788.75 to be used by the Museum to support the second phase of construction of the Steven F. Udvar-Hazy Center.
[2008.09.07]

VOTED that the Board of Regents approves the Charter of the Advancement Committee.
[2008.09.08]

VOTED that the Board of Regents approves the amended Charter of the Compensation and Human Resources Committee. [2008.09.09]

VOTED that the Board of Regents authorizes the Secretary to enter into an agreement between the National Zoological Park and George Mason University to create a partnership supporting conservation research and education at the National Zoological Park's Conservation and Research Center in Front Royal, Virginia, and requests that periodic progress reports be presented to the Strategic Planning and Programs Committee. [2008.09.10]

VOTED that the Board of Regents approves the Charter of the Strategic Planning and Programs Committee. [2008.09.11]

VOTED that the Board of Regents appoints Ann E. Berman, Leslie K.S. Fogg, John K. Howat, and Rona Roob and reappoints Barbara G. Fleischman, Suzanne D. Jaffe, Wendy Jeffers, Frank Martucci, Janice C. Oresman, and John Robinson to the Board of Trustees of the Archives of American Art for three-year terms effective immediately. [2008.09.12]

VOTED that the Board of Regents appoints Amita Chatterjee, and reappoints Michèle Gerber Klein and Karen A. Phillips to the Board of Trustees of Cooper-Hewitt, National Design Museum for three-year terms effective immediately. [2008.09.13]

VOTED that the Board of Regents appoints Joseph Clark and Allan M. Holt to the Board of the National Air and Space Museum for three-year terms effective October 14, 2008. [2008.09.14]

VOTED that the Board of Regents appoints Okwui Enwezor, Wendell McCain, Gwen Mikell, and Raymond Whiteman to the Board of the National Museum of African Art for three-year terms effective immediately. [2008.09.15]

VOTED that the Board of Regents appoints Timothy O'Neill and James Vella to the Board of Directors of the National Museum of American History, Kenneth E. Behring Center, for three-year terms effective October 1, 2008. [2008.09.16]

VOTED that the Board of Regents appoints Ben Nighthorse Campbell, Philip Deloria, Lucille A. Echohawk, Maurice A. John, Sr., Marshall McKay, Ronald J. Solimon, and Lynn Valbuena to the Board of Trustees of the National Museum of the American Indian for three-year terms effective January 1, 2009. [2008.09.17]

VOTED that the Board of Regents appoints Whitney MacMillan to the National Museum of Natural History Board for a three-year term effective immediately. [2008.09.18]

VOTED that the Board of Regents appoints David E. Longnecker to the Advisory Board of the Smithsonian Environmental Research Center for a three-year term effective immediately. [2008.09.19]

VOTED that the Board of Regents appoints Robert N. Snyder to the Smithsonian Institution Libraries Board of the Smithsonian Institution Libraries for a three-year term effective January 1, 2009. [2008.09.20]

VOTED that the Governance and Nominating Committee recommends that the Board of Regents reappoints James I. Cash, Jr.; James A. Johnson; Ann Dibble Jordan; E. Stanley O'Neal; Franklin D. Raines; and Anthony Welters to the Advisory Council of the National Museum of African American History and Culture for three-year terms effective immediately. This recommendation is contingent upon adoption of the Advisory Council Co-Chairs' recommendation by the Advisory Council membership. [2008.09.21]

VOTED that the Board of Regents approves the amended Charter of the Governance and Nominating Committee. [2008.09.22]

VOTED that the Board of Regents approves the proposed revisions to the Bylaws of the Smithsonian's Board of Regents. [2008.09.23]

VOTED that, pursuant to Bylaw 5.03, the Board of Regents elects Patricia Q. Stonesifer as Vice Chair of the Smithsonian's Board of Regents for a one-year term effective immediately. [2008.09.24]

VOTED that, pursuant to Bylaw 5.02, the Board of Regents elects Patricia Q. Stonesifer as Chair of the Smithsonian's Board of Regents for a one-year term effective January 28, 2009. [2008.09.25]

VOTED that the Board of Regents approves the proposed revisions to the descriptions of the duties of the Chancellor and Chair of the Smithsonian's Board of Regents. [2008.09.26]

VOTED that the Board of Regents approves the Secretary's request to lease approximately 25,000 square feet of collection housing, lab, and photo studio space at 560 Irvine Turner Blvd., Newark, New Jersey, to provide off-site space for Cooper-Hewitt, National Design Museum during the planned revitalization of its Carnegie Mansion and Miller and Fox townhouses. In addition, the Board approves the proposed financing plan for necessary tenant improvements. [2008.09.27]

VOTED that the Board of Regents approves the amended Charter of the Facilities Committee. [2008.09.28]

VOTED that the Board of Regents approves the budget of appropriated funds for fiscal year 2009 when signed into law by the President and authorizes expenditures by the Secretary in accordance therewith. Any material changes in program plans incorporated into this budget shall be made only with the approval of the Board of Regents or its Executive Committee. [2008.09.29]

VOTED that the Board of Regents approves the institutional budget for Trust funds for fiscal year 2009 reflected in this report and authorizes expenditures by the Secretary in accordance therewith. Any material changes in program plans incorporated into this budget shall be made only with the approval of the Board of Regents or its Executive Committee. [2008.09.30]

VOTED that the Board of Regents approves the Smithsonian Institution budget request for appropriated funds for fiscal year 2010 for presentation to the Office of Management and Budget. Any material changes in program plans incorporated into this budget shall be made only with the approval of the Board of Regents or its Executive Committee. [2008.09.31]

VOTED that the Board of Regents approves the transfer of \$2.36 million of the \$70 million short-term funds currently invested in the Institution's Endowment to the Endowment of the Archives of American Art. [2008.09.32]

VOTED that the Board of Regents approves the amended Charter of the Finance Committee. [2008.09.33]

VOTED that the Board of Regents approves the creation of a quasi-endowment called the Reynolds Center Enhancement Fund and the transfer of \$1.3 million from the Smithsonian Institution Central Trust to fund it. [2008.09.34]