

MINUTES OF THE JUNE 10, 2019, MEETING OF THE BOARD OF REGENTS

ATTENDANCE

This scheduled meeting of the Board of Regents (“Board”) of the Smithsonian Institution (“Smithsonian”) was held on Monday, June 10, 2019. The Board conducted morning, afternoon, and executive sessions at the Smithsonian Castle in Washington, D.C. Board Chair David M. Rubenstein welcomed Regents and staff and called the meeting to order at 9:30 a.m. Also present were Regents:

The Chief Justice ¹	Steve Case, Vice Chair
Senator John Boozman	John Fahey
Senator Patrick J. Leahy	Roger W. Ferguson, Jr.
Representative Doris Matsui	Michael Govan
Representative Lucille Roybal-Allard	Risa J. Lavizzo-Mourey
Representative John Shimkus	Michael Lynton
Ambassador Barbara M. Barrett	John W. McCarter, Jr.

Robert MacDonald, Smithsonian National Board Chair
Christine Udvar-Hazy, Advancement Committee Chair

The Vice President and Senator David Perdue were unable to attend the meeting.

Smithsonian and Regent staff present by invitation of the Board were:

David J. Skorton, Secretary	Judith Leonard, General Counsel
Lonnie G. Bunch III, Secretary-elect	Stephanie Lightfoot, Office of Senator Perdue
Charles R. Alcock, ² Director, Harvard-Smithsonian Center for Astrophysics	Laura J. Maechtlen, ³ Partner at Seyfarth Shaw LLP
Greg Bettwy, Chief of Staff to the Secretary	Julissa Marengo, Assistant Secretary for Communications & External Affairs
Victor Castillo, Office of Representative Roybal-Allard	Mike McCarthy, Acting Chief Operating Officer/Under Secretary for Finance & Administration
Lisa J. Damon, ³ Partner at Seyfarth Shaw LLP	Era Marshall, Director for the Office of Equal Employment and Minority Affairs
John Davis, Provost and Under Secretary for Museums, Education, and Research	Kevin McDonald, Senior Adviser to Senator Leahy
Farleigh Earhart, ³ Associate General Counsel	Jeffrey P. Minear, Counselor to the Chief Justice
Kate Forester, Deputy Chief of Staff to the Regents	Craig Roberts, Office of Representative Shimkus
Mallory Gianola, Special Assistant to the Regents (recorder)	Robert J. Spiller, Assistant Secretary for Advancement
Cathy Helm, Inspector General	Kyle Victor, Office of Representative Matsui
Toni-Marie Higgins, Office of Senator Boozman	Porter N. Wilkinson, Chief of Staff to the Regent

¹ Participated in the afternoon session only

² Participated in the lunch program only

³ Participated in the Institutional Culture session only

MORNING SESSION

EXECUTIVE SESSION: NEW REGENT SEARCH

New Regent Search

The meeting of the Board of Regents began with an executive session. Governance and Nominating Committee Chair Ambassador Barbara M. Barrett briefed the Board on the status of the search process to identify and recruit a new Regent to replace John McCarter when his term expires in March 2020. Following a competitive process, executive search firm Russell Reynolds Associates (“RRA”) was retained to assist with the identification, vetting, and selection of a new citizen Regent. The Governance and Nominating Committee will work with RRA to identify and evaluate potential candidates with the expertise and characteristics to complement the current Board.

EXECUTIVE SESSION: SMITHSONIAN CONSOLIDATED ADMINISTRATIVE HEADQUARTERS

Smithsonian Consolidated Administrative Headquarters

Facilities Committee Chair John McCarter, Finance Committee Chair Roger Ferguson, and Acting Under Secretary for Finance and Administration/Chief Operating Officer Mike McCarthy led the Board’s discussion of a proposed Smithsonian-owned consolidated administrative headquarters facility. The proposal would enable the Smithsonian to consolidate multiple leased spaces and realize cost savings and operational efficiencies. Upon motion duly made and seconded, the Board voted to authorize the Smithsonian Institution to negotiate and effect the purchase of Capital Gallery for consolidated administrative headquarters.

See attached Actions 2019.06.01 (*Minutes of the Board of Regents, Appendix A*).

EXECUTIVE SESSION: SMITHSONIAN CHANNEL

Smithsonian Channel

Finance Committee Chair Roger Ferguson also updated the Board on the Smithsonian’s agreement with Showtime Networks Inc. (“Showtime”), a joint venture established in 2006 between the SNI/SI Network LLC (“Smithsonian Channel”) and Showtime. The Smithsonian exercised an option to buy an additional equity interest in 2011. In May of 2016, the Smithsonian initiated the option to sell back a portion of its equity stake in the Channel. The Board was asked to consider the sale of the remaining equity interest. The Smithsonian would maintain its interest in licensing and programming. Upon motion duly made and seconded, the Board agreed with management’s recommendation and voted to approve the sale of the remaining equity interest in the Smithsonian Channel.

See attached Actions 2019.06.02 (*Minutes of the Board of Regents, Appendix A*).

The executive session adjourned at 10:17 a.m.

OPEN SESSION

Welcome Smithsonian and Regent staff members entered the room and the meeting reconvened. Mr. Rubenstein called the open session to order at 10:22 a.m.

REPORT OF THE CHAIR OF THE BOARD AND EXECUTIVE COMMITTEE

Departure and Recognition of Secretary David Skorton Mr. Rubenstein began his report by recognizing the final meeting of Secretary David Skorton. Secretary Skorton has served as the 13th Secretary of the Smithsonian Institution since July 2015. Mr. Rubenstein expressed the Board's appreciation for his dedicated service and outstanding contributions to the advancement of the Institution as Secretary.

Recognition of Secretary-elect Lonnie Bunch Next, Mr. Rubenstein welcomed Secretary-elect Lonnie Bunch to his first Smithsonian Board of Regents meeting. Mr. Bunch will assume his position as the 14th Secretary of the Smithsonian on June 16, 2019. Mr. Rubenstein expressed the Board's enthusiasm for working with Mr. Bunch in his new leadership role.

Departure and Recognition of SNB Chair Robert MacDonald Mr. Rubenstein also acknowledged Smithsonian National Board Chair Robert MacDonald's last meeting. Mr. MacDonald joined the National Board in 2007 and has served as Chair since 2015. Mr. Rubenstein noted that Mr. MacDonald would remain involved as a National Board member for another three years, and thanked him for his service and extraordinary dedication to the Smithsonian.

Smithsonian Gift Acceptance Policies and Procedures Mr. Rubenstein turned to Advancement Committee Chair Christine Udvar-Hazy to update the Board on the Advancement Committee's proposed review of the policies and procedures related to fundraising and gift acceptance at the Smithsonian. In response to the Executive Committee's request for an in-depth analysis, the Advancement Committee has established a focused workgroup and will report back to the full Board at the October meeting.

Smithsonian Descendants Tour In conclusion, Mr. Rubenstein shared with the Board that the Institution had the privilege of welcoming the Hungerford family, descendants of Smithsonian founder James Smithson's maternal family. The family visited for an official tour for the first time in the Smithsonian's 173-year history.

APPROVAL OF THE CONSENT AGENDA

Consent Agenda The Consent Agenda ("Agenda") was presented for the Board's approval. Action items listed on the June 10, 2019, Agenda include: recognition of the Honorable Thad Cochran; the approval of minutes from the April 8, 2019, Regents' meeting; and the appointment and reappointment of candidates to 12 Smithsonian Advisory Boards. Upon motion duly made and seconded, the Board voted to

adopt the Agenda, constituting the approval of all action items listed therein.

See attached Actions 2019.06.03 (*Minutes of the Board of Regents, Appendix A*).

QUESTIONS ON WRITTEN COMMITTEE REPORTS

Questions on Written Committee Reports

Mr. Rubenstein provided an opportunity for Regent committee chairs and Smithsonian staff to answer questions on the written reports distributed in advance of the meeting by the Advancement Committee; Facilities Committee; Governance and Nominating Committee; Investment Committee; Strategy, Innovation, and Technology Committee; Smithsonian National Board; and Office of Government Relations.

Written Report of the Advancement Committee

Report of the Advancement Committee

The Advancement Committee held meetings on March 12, 2019, and May 14, 2019. During the meetings, the Committee voted to recommend three gift actions and one administrative action to the Board of Regents. The Committee received a preliminary overview of the Smithsonian advancement program for volunteers. The Committee was briefed on major advancement projects, including the Hirshhorn Museum and Sculpture Garden sunken garden revitalization project and the National Native American Veterans Memorial at the National Museum of the American Indian. The Assistant Secretary for Advancement also provided an update on the progress of fiscal year 2019 fundraising. As of March 31, 2019, the Smithsonian had raised \$106.43 million towards the fiscal year 2019 goal of \$220 million.

Written Report of the Facilities Committee

Report of the Facilities Committee

The Facilities Committee met on May 15, 2019. During the meeting, the Committee received updates on the facilities capital and maintenance planning, and the progress of the Smithsonian's major capital projects. The Committee also reviewed the deferred maintenance backlog and was briefed on the proposed revitalization of the Historic Core, which encompasses the Arts and Industries Building ("AIB") and the Smithsonian Institution Building ("The Castle").

Written Report of the Investment Committee

Report of the Investment Committee

The Investment Committee met on March 26, 2019, and reviewed the investment portfolio performance, asset allocation, and governance. The Committee also voted on the long-term policy portfolio targets and ranges, and revised the policy portfolio. The Smithsonian Endowment's preliminary performance as of December 31, 2018, over the one-year, three-year, five-year, and ten-year periods, generated returns against the policy benchmark of 4.8% versus 4.1%, 8.6% versus 5.0%, 7.0% versus 3.0%, and 9.0% versus 6.4%, respectively. Against

the final report of Cambridge Associates peer universe of endowments and foundations, the Smithsonian was ranked in the first decile for all periods.

Written Report of the Strategy, Innovation, and Technology Committee

Report of the Strategy, Innovation, and Technology Committee

The Strategy, Innovation, and Technology Committee met on February 25, 2019. During the meeting, the Committee reviewed the exhibition calendar and received an update from the Provost and Under Secretary for Museums, Education, and Research on new exhibitions, programming, events, and education and outreach programs. The Committee also engaged in a strategic discussion about a potential Open Access strategy at the Smithsonian to make data and content freely available and accessible to the public.

Written Report of the Smithsonian National Board

Report of the Smithsonian National Board

The Smithsonian National Board (“SNB”) held its winter meeting from January 31-February 1, 2019, in Washington, D.C. The meeting focused on the recently adopted SNB Diversity and Inclusion Statement. Members devoted a portion of the meeting to a guided discussion that explored a shared understanding of what diversity and inclusion means for the National Board and considered strategies to achieve the goals set forth in the Diversity and Inclusion Statement.

Written Report of the Office of Government Relations

Report of the Office of Government Relations

The Office of Government Relations (“OGR”) reported that the House Appropriations Committee approved the Department of Interior, Environment and Related Agencies Appropriations Act for fiscal year 2020 beginning October 1, 2019. The appropriations bill includes \$1.071 billion for the Smithsonian, with \$852.3 million for Salaries and Expenses, and \$219 million for Facilities Capital, which includes funding for continued renovation of the National Air and Space Museum, revitalization efforts at the Udvar-Hazy Center, the National Zoological Park, the Smithsonian Castle, and the Smithsonian Tropical Research Institute.

Smithsonian Legislation

In addition, OGR reported on Congressional hearings, Smithsonian related legislation, including a Joint Resolution of Congress enabling a commemoration of the 50th Anniversary of the Apollo 11 Mission on the National Mall.

Congressional Engagement

OGR has continued congressional engagement, hosting and participating in a number of programs and events. Most notably, on March 28, the National Portrait Gallery celebrated the centennial of U.S. women winning the right to vote with the exhibit *Votes for Women: A Portrait of Persistence*. Several notable members of Congress, who served on the honorary host committee for the opening, participated in the historic evening including Speaker Nancy Pelosi, Smithsonian Congressional Regent Doris Matsui, and Hillary Rodham Clinton.

REPORT OF THE FINANCE COMMITTEE

Report of the Finance Committee

Chair of the Finance Committee Roger Ferguson gave the Committee's report and presented two action items for the Board's consideration: (i) the fiscal year 2021 federal budget priorities, and (ii) the fiscal year 2020 Endowment Payout.

Fiscal Year 2021 Federal Budget Priorities

Mr. Ferguson noted that the fiscal year 2021 budget request is due to the Office of Management and Budget ("OMB") on September 9, 2019. He reviewed the Institution's priorities for building the fiscal year 2021 federal budget, which include: salaries and expenses, facilities maintenance and security, research and museum program infrastructure, and major capital projects. Upon motion duly made and seconded, the Board approved the fiscal year 2021 federal budget priorities proposed by the Secretary

See attached Actions 2019.06.04 (*Minutes of the Board of Regents, Appendix A*).

Next, Mr. Ferguson presented the fiscal year 2020 Endowment Payout recommendation. The Smithsonian's historical policy is to pay out five percent of the trailing average market value per share over the previous five years in order to support programmatic activities. In the past, the Regents have also approved an additional annual payout of up to one percent to support advancement activity. Mr. Ferguson noted this additional payout has been reduced to 0.50% for fiscal year 2020. The projected payout to support programmatic activity for fiscal year 2020 is \$74.2 million and the payout to fund advancement activities is estimated at \$3.2 million. Upon motion duly made and seconded, the Board approved a five percent payout from the Smithsonian Endowment in fiscal year 2020 to support programmatic activity. Further, the Board approved up to an additional 0.50 percent payout from eligible Smithsonian Endowment funds in fiscal year 2020 to support advancement activity.

See attached Actions 2019.06.05 (*Minutes of the Board of Regents, Appendix A*).

REPORT OF THE AUDIT AND REVIEW COMMITTEE

Report of the Audit and Review Committee

Chair of the Audit and Review Committee Risa Lavizzo-Mourey gave the Committee's report and presented one action item for the Board's consideration: approval of a contract for external auditor services. Ms. Lavizzo-Mourey presented the Committee's recommendation regarding the selection of an external auditor for the procurement of financial audit services and noted that the Committee's decision to recommend KPMG, LLP was based on several factors, including experience, technical rating, capabilities, cost, and overall value. Upon motion duly made and seconded, the Board approved the proposed motion to appoint KPMG, LLP as the Smithsonian Institution's external independent auditors for a one-year period beginning July 2019 with four one-year option periods.

See attached Actions 2019.06.06 (*Minutes of the Board of Regents, Appendix A*).

Following the report of the Audit and Review Committee, the Board adjourned to the luncheon program at approximately 11:34 a.m.

LUNCH: LANDMARK SCIENCE AT THE SMITHSONIAN ASTROPHYSICAL OBSERVATORY

During lunch, Regents and Smithsonian staff convened for a program on the central role the Smithsonian played in capturing the first-ever image of a black hole, which was released to the public on April 10, 2019, and the Institution's continued study of the most extreme objects in the Universe. The program featured a conversation between Mr. Rubenstein, Director of the Harvard-Smithsonian Center for Astrophysics Charles Alcock, and Director of the Event Horizon Telescope Sheperd Doeleman.

AFTERNOON SESSION

Board Chair David M. Rubenstein called the afternoon session to order at approximately 1:00 p.m. and introduced the Board's next agenda item.

EXECUTIVE SESSION: INSTITUTIONAL CULTURE AT THE SMITHSONIAN

Institutional Culture at the Smithsonian

The afternoon meeting of the Board of Regents began with an executive session. Following the preliminary working session on institutional culture held at the January 2019 meeting, the Smithsonian's policies, procedures, and training related to sexual harassment were reviewed as compared to best practices. The Board discussed its role as well as management's responsibilities in minimizing the risks associated with sexual harassment in the workplace and in promoting an inclusive and respectful work environment at the Smithsonian.

OPEN SESSION

The Chancellor called the open session to order at approximately 1:52 p.m. and reviewed the remainder of the Board's business agenda.

REPORT OF THE SECRETARY

Collaboration with V&A

Secretary Skorton delivered his final report as 13th Secretary of the Smithsonian. He began by updating the Board on the Smithsonian's collaboration with the Victoria and Albert Museum ("V&A"). In April 2018, the Board approved the execution of a Joint Programmatic Agreement with the V&A for the purpose of developing and delivering Smithsonian-branded exhibitions and programming in a new museum to be built at the Queen Elizabeth Olympic Park in London. Private

philanthropy will support this project and will be primarily generated through the Foundation for FutureLondon.

50th Anniversary of the Apollo 11 Mission

Next, the Secretary thanked Congressional Regents for their support in introducing a Joint Resolution of Congress enabling a commemoration of the 50th anniversary of the Apollo 11 Mission. The Smithsonian’s National Air and Space Museum (“NASM”), in collaboration with NASA and the National Space Council, are leading the country’s 50th anniversary celebration of the Apollo missions, culminating in a weeklong commemoration of Apollo 11 on the National Mall in July 2019. Secretary Skorton informed the Board that NASM and its partners will contextualize the legacy of Apollo 11 within the past, present, and future of space exploration through the display of NASA and Smithsonian artifacts, digital content, and film footage, as appropriate, in and around the vicinity of the National Mall.

National Native American Veterans Memorial

The Secretary also provided updates on the National Native American Veterans Memorial at the National Museum of the American Indian. Congress enacted legislation establishing the memorial for members of the armed services only. The museum is considering other ways to acknowledge the contributions of the commissioned corps following the request by the Commissioned Officers Association to amend the legislative language to include the United States Public Health Service (“USPHS”) and the National Oceanic and Atmospheric Administration (“NOAA”) in the memorial.

Final Report of the Secretary

Secretary Skorton concluded his report by thanking the Regents for their support and guidance during his tenure as Secretary. The Secretary discussed his experiences and acknowledged the opportunities and some of the challenges facing the Institution. The Board thanked him for his outstanding service as the 13th Secretary of the Smithsonian.

Report of the Secretary-elect

Secretary-elect Lonnie Bunch then thanked the Board for their confidence in his ability to lead the Institution and delivered brief remarks. He reported on his activities during his first few weeks as Secretary-elect and entertained questions from the Board.

EXECUTIVE SESSION: “GATEKEEPER” REPORTS

The Board then conducted an executive session with the Smithsonian’s Gatekeepers, including the Secretary, Secretary-elect, General Counsel, and Inspector General.

ADJOURNMENT

There being no further business to discuss, the meeting adjourned at approximately 2:11 p.m.

Respectfully submitted,

David J. Skorton
Secretary

APPENDIX A: ACTIONS OF THE JUNE 10, 2019, MEETING OF THE BOARD OF REGENTS

VOTED that the Board of Regents accepts the joint recommendation by the Facilities Committee and Finance Committee, and authorizes the Smithsonian to negotiate and effect the purchase and acquisition of a building to be used primarily for purposes of administrative office space, subject to the following conditions: (1) that the Congress enact legislation authorizing the Smithsonian to deposit into the general trust funds of the Institution Federal appropriations designated for lease or rent payments, to the extent that federally supported activities will be housed in the Building, for use for expenses associated with the purchase of the Building; (2) that the Institution secure financing for the costs of acquiring the Building and other expenses associated with the purchase of the building; and (3) that the Secretary consult with the Facilities Committee and the Finance Committee after final terms of the purchase are negotiated and before the purchase is effected. The Board further authorizes the Secretary to secure financing up to a level approved by the Facilities and Finance Committees, such financing to be inclusive of the costs for moving to, and building out, the newly acquired space. [2019.06.01]

VOTED that the Board of Regents approves management's recommendation that the Smithsonian Institution sell its remaining equity interest in the Smithsonian Channel. [2019.06.02]

VOTED that the Board of Regents adopts the Consent Agenda, which constitutes the approval of all action items listed therein. [2019.06.03]

VOTED that the Board of Regents expresses its profound appreciation to the memory of the Honorable Thad Cochran, former Regent and Regent Emeritus, esteemed statesman, and friend of the Smithsonian Institution, and extends its heartfelt sympathies to his family.

VOTED that the Board of Regents approves the minutes of the April 8, 2019, meeting of the Board of Regents.

VOTED that the Board of Regents approves the proposed slate of candidates for appointment or reappointment to 12 Smithsonian advisory boards.

VOTED that the Board of Regents approves the fiscal year 2021 federal budget priorities proposed by the Secretary. [2019.06.04]

VOTED that the Board of Regents approves a five percent payout from the Smithsonian Endowment in fiscal year 2020 to support programmatic activity. The Board further approves 0.50 percent payout from the Smithsonian Endowment in fiscal year 2020 to support advancement activity. The payout shall be calculated against the trailing five-year average market value of the Smithsonian Endowment. [2019.06.05]

VOTED that the Board of Regents appoints KPMG, LLP as the Smithsonian Institution's external independent auditors for a one-year period beginning July 2019 with four one-year option periods. [2019.06.06]