

MINUTES OF THE BOARD OF REGENTS

January 28, 2008

ATTENDANCE

This regularly scheduled meeting of the Board of Regents was held on Monday, January 28, 2008, in the Regents' Room of the Smithsonian Institution Building. The meeting was comprised of plenary morning and afternoon sessions and an executive session. As the Chief Justice was unable to attend the morning session, Executive Committee Chair Roger Sant called the meeting to order at 9:05 a.m. Present during the meeting were:

The Chief Justice ¹	Chris Dodd ³	Doris Matsui
Xavier Becerra ²	Shirley Ann Jackson ⁴	Roger W. Sant
Eli Broad	Sam Johnson	Alan G. Spoon
Thad Cochran ²	Robert P. Kogod	Patricia Q. Stonesifer
	Patrick Leahy	

L. Hardwick Caldwell, Chair, Smithsonian National Board

Vice President Richard B. Cheney and Phillip Frost were unable to attend either meeting.

Also present were:

Regent Designee John W. McCarter, Jr.⁵
Acting Secretary Cristián Samper
Acting Under Secretary for History and Culture Richard Kurin
Acting Under Secretary for Finance and Administration Alison McNally
Acting Under Secretary for Science Ira Rubinoff
Under Secretary for Art Ned L. Rifkin
Director of External Affairs Virginia B. Clark
Chief of Staff to the Regents John K. Lapiana
General Counsel John E. Huerta
Chief Financial Officer Alice C. Maroni
Director of the Office of Government Relations Nell Payne
Director of Media Relations Linda St. Thomas
Inspector General A. Sprightley Ryan
Director of the Office of Policy and Analysis Carole M.P. Neves
Senior Writer-Editor for the Office of the Regents Barbara Feininger
Assistant to the Vice President Marie Fishpaw
Assistant to the Chief Justice Jeffrey P. Minear
Assistant to Senator Cochran T.A. Hawks
Assistant to Senator Dodd Colin P. McGinnis
Assistant to Senator Leahy Kevin McDonald
Assistant to Congressman Becerra Melody Gonzales
Assistant to Congressman Johnson David Heil
Assistant to Congresswoman Matsui Alexis Marks

¹ The Chief Justice attended the afternoon plenary meeting, as well as the afternoon executive session.

² Senator Cochran and Congressman Becerra arrived during the report of the Acting Secretary.

³ Senator Dodd arrived during the presentation of the Executive Committee Report.

⁴ Dr. Jackson was unable to attend the afternoon plenary meeting or executive session.

⁵ Mr. McCarter, the president and CEO of the Field Museum in Chicago, attended at the request of the Regents.

The morning plenary session of the Board of Regents ended at 9:05 a.m. and was followed by an Executive Session. The Executive Session opened for a short time to record the approval of a proposed motion, and then briefly reconvened before adjourning for lunch at 12:03 p.m. The Board reconvened at 1:12 p.m. for the afternoon plenary session. The Chief Justice presided over the afternoon session, which concluded at 2:43 p.m., after which a second Executive Session was conducted. The following matters were discussed:

MORNING PLENARY SESSION

REGENTS' TRIBUTE TO RICHARD D. DARMAN

Mr. Sant introduced a proposed motion to express the Board's condolences in response to the recent passing of Richard "Dick" Darman. A recognized leader in the Federal government and an astute businessman, Mr. Darman also was a great supporter of the Institution. He previously chaired the Board of Directors of the National Museum of American History and that museum's Blue Ribbon Commission; recently served as a citizen member of the Regents' Facilities Revitalization Committee and the Smithsonian Business Ventures Task Force; and, in an unofficial capacity, contributed to the search process for the next Smithsonian Secretary. The Regents agreed that the passing of Mr. Darman is a significant loss to the Institution, the nation, and his family. Accordingly, the proposed motion was approved.

See attached Resolution 2008.1.01 (Minutes of the Board of Regents, Appendix A).

MINUTES OF THE MEETING OF NOVEMBER 19, 2007

The Regents voted to approve the minutes of the November 19, 2007, Board of Regents' meeting.

See attached Resolution 2008.1.02 (Minutes of the Board of Regents, Appendix A).

REPORT OF THE EXECUTIVE COMMITTEE

Mr. Sant said that the three members of the Executive Committee met on January 22, 2008, to review the proposed agenda for the Board of Regents' meeting. Noting that the draft agenda was the result of a collaborative effort between the Chair, the Acting Secretary, and the Office of the Regents, he reported that the Executive Committee considered and approved the proposed agenda. He then directed the Regents' attention to certain agenda items that had been discussed at length during the Committee's meeting.

The Regents were reminded that, at the request of the Acting Secretary, two proposed gifts had been withdrawn from the agenda of the November 28, 2007, Board meeting. Since that time, the proposed gifts were the subject of further review and the Executive Committee agreed to include both in the agenda for the January 28, 2008, meeting.

Mr. Sant reported that the Executive Committee agreed to postpone formal action on the partnership between the National Zoo and George Mason University and asked the Acting Secretary to update the Regents on the status of the project. Dr. Samper explained that the Institution, which has had a long-term partnership with George Mason University for professional training in conservation biology, is exploring the possibility of expanding that partnership to include student training in conservation biology. He noted the University is considering investing \$20 million to fund the construction of a training facility at the National Zoo's facility in Front Royal, Virginia. Because several legal and technical issues warrant further review, Dr. Samper was authorized by the Executive Committee to continue exploring the initiative's potential. Dr. Samper also said that the contributions of Dr. Jackson had been instrumental in the ongoing development of and negotiations for this project. It is anticipated that a comprehensive proposal for the initiative will be presented for the Regents' review at their next meeting.

Mr. Sant then updated the Board on the status of negotiations to purchase Contee Farm at the Smithsonian Environmental Research Center in Edgewater, Maryland. He reminded the Board that at its November 19, 2007, meeting it had authorized the Executive Committee to proceed with negotiations related to the transaction, as well as to finalize the purchase of the farm. Mr.

Sant reported that the Executive Committee subsequently approved the Institution's right to proceed with a purchase agreement of \$6.2 million. He added that the funds currently were in escrow, as some purchase-related environmental and use easements have yet to be approved by the Maryland Land Trust.

REPORT OF THE SMITHSONIAN NATIONAL BOARD

Smithsonian National Board Chair Hacker Caldwell presented the October 2007 National Board report and updated the Regents on the National Board's recent activities, including its latest meeting, which concluded on January 26, 2008.

Mr. Caldwell reported that the Institution's museum and scientific unit advisory board chairs had been invited to join the National Board for its three days of meetings. Fourteen board chairs subsequently joined National Board members for a breakfast briefing by Acting Secretary Samper; the board chairs later joined the Dr. Samper again for lunch. It was noted that this likely was the first time that a Secretary had invited all of the advisory board chairs to meet with each other and discuss common areas of interest. It was suggested that such meetings should occur on a regular basis.

Mr. Caldwell said that members of the National Board and the board chairs then divided into groups to discuss issues related to board development, communications, collaboration with other boards, establishing agendas with respective unit directors, and issues that related not only to individual units but to the Institution as a whole. He noted that the participants were energized by the pan-institutional perspective that supported these discussions.

The next day, members of the National Board and the 14 advisory board chairs met with Patricia Stonesifer to discuss the Regents' efforts to address the Institution's governance issues. Participants especially focused on the implementation of Recommendation 13 and the development of stronger links between the Board of Regents and the Institution's advisory boards. Mr. Caldwell noted that a natural forum to support such communications currently does not exist and asserted his commitment to working with the Regents' Governance and

Nominating Committee to develop more effective communications between the Institution's advisory boards and the Board of Regents. Ms. Stonesifer told the Board that several of the advisory board chairs had noted that this was the first time they had met a Regent. She added that the Institution's advisory boards are an underutilized and under-informed group and that enhanced communications with these key stakeholders will be extremely beneficial to the Board of Regents' future oversight of the Institution.

The Regents then considered the Smithsonian National Board's proposed motion to reappoint Hacker Caldwell as chair of the Smithsonian National Board. Accordingly, the proposed motion was approved.

See attached Resolution 2008.1.03 (Minutes of the Board of Regents, Appendix A).

PROPOSED APPOINTMENTS TO SMITHSONIAN ADVISORY BOARDS

The Regents considered the nominations for appointments and reappointments to seven Smithsonian advisory boards. Accordingly, the proposed motions were approved.

See attached Resolutions 2008.1.04 – 2008.1.10 (Minutes of the Board of Regents, Appendix A).

PROPOSED AMENDMENTS TO THE BYLAWS OF THE BOARD OF THE SMITHSONIAN INSTITUTION LIBRARIES

The Regents considered proposed amendments to the Bylaws of the Smithsonian Institution Libraries Board. Accordingly, the proposed motion was approved.

See attached Resolution 2008.1.11 (Minutes of the Board of Regents, Appendix A).

DESIGNATION OF ANNE D'HARNONCOURT AS REGENT EMERITUS

Mr. Sant introduced a motion to designate Anne d'Harnoncourt as Regent Emeritus. The Regents discussed their great appreciation for the contributions of the recently retired Regent, including

her current service on the *ad hoc* Search Committee for the next Smithsonian Secretary. Accordingly, the proposed motion was approved.

See attached Resolution 2008.1.12 (Minutes of the Board of Regents, Appendix A).

REPORT OF THE ACTING SECRETARY

Acting Secretary Samper offered a summary report on the Institution in fiscal year 2007, as well as an update on Smithsonian activities that have occurred since September 30, 2007. He said that 2007 was a successful year overall for the Institution, despite the challenges it faced, and expressed his appreciation for the dedication demonstrated by staff and volunteers in the face of the Institution's governance problems.

Dr. Samper said that in 2007 attendance across the entire Smithsonian rose 7 percent, to 24.6 million visitors. He noted that this increase was achieved despite the closure of the National Museum of American History, which alone receives about 3.5 million visitors annually, and reflected, among other things, the enormous popularity of several exhibitions on view in the last year. He also said that virtual visits to the Smithsonian continue to grow at an astounding rate of 30 to 40 percent per year, and that over 183 million visitor sessions were recorded last year. He added the Smithsonian has yet to achieve its online potential and that the launch of several important new initiatives, such as the Encyclopedia of Life, will enhance the Institution's presence on and contributions to the Web.

The 2007 opening of the Kogod Courtyard was cited as an enormous achievement for the Institution. Dr. Samper noted its importance to both the Smithsonian and the greater Washington, D.C., area and thanked Mr. Kogod and his wife for their generous support. He also remarked on the Institution's advances in research and the care of its collections, including the completion of Pod 5 at the Museum Support Center (MSC) in Suitland, Maryland. About 20 percent of the Institution's collections will be moved to MSC in 2008.

Strong fund raising also was a hallmark of the Smithsonian in 2007. Despite a challenging year in the media, the Institution generated \$166 million in private support from individuals,

foundations, and corporations. Dr. Samper noted that this trend had continued and that the Institution already had raised more than \$40 million in the first three months of fiscal year 2008. This total included a recently received gift from the Engen family for the Phase Two construction of the Udvar-Hazy Center, which the Regents later discussed at length.

After asserting that the Smithsonian's mission remains strong and its support remains sound, Dr. Samper elaborated upon five important issues: the Federal budgets for fiscal years 2008 and 2009; progress on the Institution's governance reforms; the results of a pan-institutional employee survey; leadership changes; and the ongoing review of executive travel.

Regarding the Institution's fiscal year 2008 Federal budget, Dr. Samper said that, although the implementation of a three-month-long Continuing Resolution had challenged the Institution and resulted in a short-term hiring freeze, the final Federal budget was better than anticipated. He reminded the Regents that, six to eight months prior to this meeting, the outlook for the Smithsonian's Federal budget had been extremely grim, especially in the House where the proposed Federal budget was cut by \$26 million. He expressed his deep appreciation to the Congressional Regents for their unstinting efforts to turn the budget around by \$30 million. Dr. Samper noted, however, that the final budget of \$683 million still will not fund in full the Federally mandated pay increase for Federal employees in the Washington area and a 2.4 percent shortfall in funding for Smithsonian salaries and expenses is anticipated. He added that some of these costs will be offset by the savings that resulted from the four-month-long hiring freeze.

Dr. Samper then discussed Congress's introduction of a "Legacy Fund" to the Smithsonian's Federal budget. Under the general terms of this challenge grant, which was introduced by Senator Dianne Feinstein, the Smithsonian must raise \$30 million in facilities funding in order to receive an additional \$15 million in Federal funding for facilities. However, the specifics of the Legacy Fund had yet to be determined and the Institution did not know if challenge grant funds could be used for the repair, renovation, or construction of facilities or if their use would be restricted to funding only the maintenance of Smithsonian facilities. Also unclear are the types of Smithsonian funds that would qualify for the challenge grant.

Nevertheless, Dr. Samper emphasized that the Smithsonian's Federal budget for fiscal year 2008 is favorable, especially in light of the Administration's focus on defense, homeland security, and the overall health of the economy. The Institution's Federal budget for fiscal year 2009, as negotiated with the Office of Management and Budget, also was characterized as solid and proposes a 5 percent increase in the Institution's overall Federal budget. The \$716 million budget would include a \$21 million increase — from \$107 to \$128 million — for facilities capital (which includes the construction and revitalization of facilities) and would move the Institution significantly closer to its \$150 million goal. Federal funding for facilities maintenance also would increase by \$17 million to over \$69 million, which would be another important step towards the Institution's \$96 million target. Overall, the Federal budget presented by the Office of Management and Budget represents the single-largest increase the Institution has achieved in years. The Smithsonian is grateful for this recognition of the Institution's facilities maintenance backlog.

Dr. Samper elaborated upon some of the intense negotiations that resulted in the proposed Federal budget for fiscal year 2009, citing some of the specific issues discussed during the budget appeals, as well as several of the compromises the Institution was forced to accept. For example, he said that the Smithsonian secured an increase in funding to address the Institution's critical shortage of security officers, which was identified in a recent Government Accountability Office report. This increase, however, was achieved by withdrawing a funding request for security film treatments for the Reynolds Center windows.

Dr. Samper then proceeded to explain that, in order for the Federal government to achieve its overall budget increase for fiscal year 2009, the Smithsonian's proposed budget had sustained an alarming \$11 million decrease in Federal funding for the Institution's education, research, and outreach programs. This cut in Federal funding represents the first-ever reduction in Federal funding for the Smithsonian's programs and was based upon the assumption that the Institution would be able to make up the funding shortfall through private fund-raising efforts within an extremely short period of time (six months). Dr. Samper reported that the Institution took great exception to both the \$11 million funding cut, as well as its underlying rationale, and emphatically communicated its distress over the course of the budget negotiation process, which

included two appeals by the Institution. Because of the anticipated impact of this budget cut on the Institution's mission-critical programs and staff, as well as the fact that the fiscal year 2009 budget will move now to the Congress, the Congressional Regents again will play a critical role in the Smithsonian's efforts to develop additional Federal support, as well as to mitigate the potential consequences of the proposed budget.

Dr. Samper then offered an update on the Institution's governance reforms. As noted in the governance scorecard found in both the meeting agenda books and the Institution's public website, significant progress has been made in the Smithsonian's efforts to address its management problems. Dr. Samper reported that a number of individuals and groups continue to work on governance-related issues, such as internal control systems and certain Smithsonian policies. One important initiative was included in the meeting agenda books for the Regents' consideration and approval: a newly created Smithsonian Statement of Values and Code of Ethics. Dr. Samper said that the purpose of the document, which was largely modeled after the American Association of Museums' Code of Ethics, is largely aspirational and is intended to augment both the Institution's Standards of Conduct and its directives, which collectively address specific procedural issues.

Dr. Samper noted that the Institution continues to work on an overarching communications strategy under the leadership of Evelyn Lieberman and with the support of consulting firm Booz Allen Hamilton. He reported that a first draft of the policy was being circulated for discussion and that a revised draft would likely be distributed to the Board for comment in the following four to six weeks.

Next Dr. Samper provided an update on Governance Recommendation 13 and the Institution's continuing examination of the relationships between the Smithsonian's Board of Regents, Secretary, and advisory boards. He agreed with Mr. Caldwell's report that the Smithsonian National Board's meetings with the Institution's advisory board chairs set an important precedent for future communications and collaborative efforts with key Smithsonian stakeholders. He said it was clear that the advisory boards desire to have a stronger role in the oversight of the units and cited three oversight-related issues that consistently were expressed by the boards: their wish

to participate in the development and approval of each unit's strategic plan, as well as advance the core components of the Institution's forthcoming strategic plan; their desire to clarify each board's role in the appointment and evaluation of unit directors; and their aspiration to become more knowledgeable about the multi-layered funding and budgeting process for each unit. He explained that although 80 percent of a unit's budget is clear, the effect of central services and their valuation consistently presents challenges to the understanding of units' budgets, a problem towards which the Office of the Chief Financial Officer is directing its efforts.

Regarding other governance-related initiatives, Dr. Samper said that the first draft of the Institution's new contracting policy was being circulated among staff for review and that he anticipated that it would be finished within the next few months. He also said that Team 23, which is responsible for the review of the Institution's policies and controls, is actively examining about 112 directives from across the Institution to ensure that each is accurate and without loopholes. This protracted review will be conducted through the remainder of the year.

The Regents were made aware of an issue that had arisen regarding the Institution's Freedom of Information Act (FOIA) directive regarding access to information and records. Dr. Samper said that within the previous three days a number of important groups had objected to some of the terms of the FOIA-related directive. He noted that the Governance and Nominating Committee had conducted several discussions about this issue and determined that it is primarily related to Smithsonian Business Ventures-related contracts, as well as to the identification of certain donors, investment policies, and fund managers. Smithsonian management affirmed its commitment to conducting open and less-restrictive agreements, but also recognized that certain exception must be made. Under the direction of General Counsel John Huerta, a revised directive will be developed and proposed to the Committee for its consideration in early February. All agreed that that the clarification of the Institution's FOIA directive must be carefully and swiftly conducted and, to assist that effort, Senator Leahy offered to introduce Smithsonian staff to the Congressional lawyers who drafted the revised FOIA legislation.

Dr. Samper next addressed the implementation of the Institution's new unified compensation philosophy. He first noted that, effective September 30, 2007, all senior executive staff

previously not on a leave system were transitioned to the Institution's existing leave system. He then reported on the larger undertaking of assessing some 200 senior executive staff positions to determine the proper compensation approach. Dr. Samper expressed his great appreciation for the assistance of the Compensation and Human Resources Committee, whose support has been instrumental in this challenging initiative.

Dr. Samper said that the responsibilities of about 37 senior positions were found to meet the tests established by PricewaterhouseCoopers for the Federal equivalent compensation approach. For some of the 37 positions, Smithsonian salaries were found to be above the 2008 Federal Senior Level (SL) salary cap. Going forward, compensation for the identified positions will be recalibrated to align with their Federal counterparts, although there will be a five-year grandfathering period for affected executives. Dr. Samper reported that, predictably, some of the affected individuals are unhappy with this change as they were hired under a different set of expectations and noted he is concerned that some senior executives may leave as a result of this change.

In a finding that is consistent with the report of the Independent Review Committee, the study also found that the compensation for 66 Smithsonian executive positions should be market-based. Of these positions (which include, among others, the Secretary, all of the museum directors, and development and Smithsonian Business Ventures employees), 51 have incumbents with salaries currently above the 2008 Federal SL salary cap, while the rest are below. When looking at market data, however, it was found that many of the positions for which salary surveys were conducted in the past were below the 50th percentile of the market, with some falling as low as the 25th percentile. Compensation consultant PricewaterhouseCoopers is working with the Institution and the Compensation and Human Resources Committee to further refine the market data to help the Institution align these positions with the market.

Dr. Samper next addressed the recently released results of the Smithsonian-wide Employee Perspective Survey that had been conducted in September and October 2007. He noted that the last time a full employee survey had been performed was in 2002 and that, going forward, the Institution intends to conduct a pan-Institutional survey on an annual basis. The survey had a 57

percent response rate, which was notably higher than the Federal Government's average. Notably, the review found that overall employee satisfaction was good and in fact was higher, a finding that was remarkable in light of the challenges the Smithsonian faced in 2007. About 74 percent of Smithsonian employees reported that they were satisfied or very satisfied with working for the Institution. These employees have a sense of accomplishment about their work and believe that their efforts are important and contribute to the core mission of the Institution. About 14 percent reported that they had reservations about their employment with the Smithsonian, another finding of note as the identical question elicited a significantly higher response — 56 percent — in 2002.

Dr. Samper said that the report identified five areas that need additional attention: compensation, recognition, and rewards; leadership development; communications across museum departments; career development opportunities; and the effects of chronic understaffing. He noted that the Institution's loss, over the last decade, of 23 percent of its staff has resulted in increased workloads and hours for the remaining staff who endeavor to keep the Smithsonian running.

Progress on the Institution's search for two museum directors was reported. Dr. Samper said that, under the leadership of Under Secretary for Art Ned Rifkin, a search for the new head of the National Portrait Gallery was successfully completed and that the appointment of Martin Sullivan, currently the director of St. Mary's Historic City, soon would be announced publicly. Dr. Sullivan, who has had a distinguished career in the museum world, previously served as the direction of the Bird Museum in Phoenix and chaired the Accreditation Committee of the American Association of Museums for over a decade. Dr. Samper also reported that the search for the next director of the Hirshhorn Museum and Sculpture Garden will hopefully soon be completed. He thanked Dr. Rifkin and a number of Regents for their efforts in both searches; he also noted that a search committee would soon be formed to search for the next head of Smithsonian Latino Initiatives.

Dr. Samper then addressed the topic of executive travel and the media's recent coverage of the travel expenses of Rick West, the former director of the National Museum of the American Indian. He said that, although the Institution's governance reforms already had implemented a

review of all executive travel by the Inspector General, he had launched a more immediate inspection of the travel expenses of the Institution's top 62 executives in 2007. Led by Acting Secretary for Finance and Administration Alison McNally and Chief Financial Officer Alice Maroni, the review found that no other Smithsonian executives' travel expenses outpaced those incurred by Mr. West. Nevertheless, Dr. Samper noted that Mr. West's expenses had been approved by prior senior management and were in alignment with Federal travel regulations. Nevertheless, Dr. Samper made clear that, in his opinion, proper judgment had not been exercised with regard to Mr. West's travel; he also expressed concern that the sum total of Mr. West's travel expenses since 2003 will prove to be notable.

The review of the Institution's top 62 executives' travel expenses found that only 12 of 640 cases involved the use of business class tickets for air travel; each of the 12 is being examined. Dr. Samper also said that it appears that thus far only one or two cases may have been outside of Federal travel regulations. He added that the review also revealed that some Smithsonian directors' travel had been insufficient with regard to the critical leadership and fund-raising needs of their units.

Going forward, Dr. Samper said that he had established interim measures to better monitor Smithsonian travel expenses. He said that the Under Secretary for Finance and Administration now will review any travel of executive staff that requires a premium ticket, exceeds \$2500 in ticketing fees, or necessitates an absence of more than five days.

In the final section of his report, Dr. Samper spoke of five short-term priorities upon which he intends to focus during the final months of this transition between Secretaries. He said that he plans to complete most of the elements of the governance reform agenda; effect a smooth transition for the permanent Secretary; keep all key Smithsonian projects on track (such as the reopening of the National Museum of American History, the opening of Ocean Hall at the National Museum of Natural History, and the repurposing of the Arts and Industries Building); complete the restructuring of Smithsonian Business Ventures; and begin developing a Smithsonian strategic plan, as well as a national campaign, to support the mission of the Institution.

Because he is a member of an outside Board of Trustees with an interest in the Arts and Industries Building, Mr. Kogod recused himself from Dr. Samper's discussion of the building. Prior to leaving the room, Mr. Kogod noted that he had written both the chair of that board and the Regents' Executive Committee chair to announce his intention to recuse himself from all discussions of the historic building's future, as his participation might present a conflict of interest. After Mr. Kogod left the room, Dr. Samper then said that the Institution had received 11 proposals in response to a Request for Qualifications previously issued by the Smithsonian. He said that a technical panel is assessing the proposals and anticipates that its review will be completed by the end of March 2008, after which the Institution will conduct consultations to determine whether or not it would be worthwhile to proceed to a full Request for Proposals for the initiative. The Institution's recommendation will be presented to the Regents at their May 2008 meeting. Mr. Kogod returned to the room after Dr. Samper's update on the Arts and Industries Building.

In the question-and-answer period that followed Dr. Samper's report, a Regent asked if the Smithsonian National Board had recently discussed the launch of a national fund-raising campaign. Dr. Samper deferred to Director of External Affairs Virginia Clark, who responded that the National Board's Development Committee indeed had reviewed the steps and processes by which a campaign would be developed, as well as what would be required of National Board members.

The Board again discussed the implementation of the Institution's new unified compensation philosophy. The Regents acknowledged the enormous leadership requirements demanded of the Acting Secretary in his efforts to effect these changes, as well as significant contributions and loyalty demonstrated by the affected employees. Because they oversaw the implementation of changes to which they also were subject, Director of Human Resources James Douglas and Associate Director Greg Bettwy were cited for their leadership skills and commitment to the Institution.

The Board considered measures to acknowledge and support employees who, despite significant changes in their employment agreements, have continued to support the mission and initiatives

of the Institution. All agreed that these leaders must be commended and supported for their invaluable contributions and that the personal involvement of the Board, including the Congressional Regents, in the support of these executives would demonstrate the Board's indebtedness to them. Dr. Samper added that such actions also would support the Institution's efforts to stave off an exodus of key executives whose leadership is crucial to the ongoing success of the Smithsonian.

PROPOSED ENDOWMENT, DONOR RECOGNITION, AND CORPORATE GIFT ACTIONS

The Regents considered ten papers representing donor recognition and corporate gift opportunities, as well as actions to create endowments. The Regents discussed the significance of a recent gift that will enable the National Air and Space Museum to commence with the construction of Steven F. Udvar-Hazy Center Phase Two. Accordingly, ten motions were approved by the Regents.

See attached Resolutions 2008.1.13 – 2008.1.22 (Minutes of the Board of Regents, Appendix A).

UPDATE ON SMITHSONIAN-RELATED ACTIONS BY THE GOVERNMENT ACCOUNTABILITY OFFICE

Director of Government Relations Nell Payne updated the Regents on the Government Accountability Office's ongoing review of the Smithsonian's governance. She noted that every advisory board chair was being interviewed during this phase of the review and that the planned publication date for the report is May 15, 2008.

LEGISLATIVE ACTIVITIES AND ISSUES

Ms. Payne then presented an overview of several Smithsonian-related actions of particular consequence to the Board. She said that the appointment of John W. McCarter, Jr., to the Board of Regents was pending before Congress and that she anticipates his nomination soon will be confirmed. She also said that she expects that four pending construction activities will receive

action this spring: the new lab space at the Smithsonian Environmental Research Center; the new lab and office space at the Smithsonian Tropical Research Institute in Panama; a replacement greenhouse facility, including associated moving costs, at the Museum Support Center in Suitland, Maryland; and a technical amendment to allow the relocation of a previously authorized telescope operation in Arizona.

RELOCATION OF THE VERITAS CONTROL BUILDING SITE

The Institution is requesting a technical amendment to the law that authorized the construction and related activities of the Smithsonian Astrophysical Observatory's Very Energetic Radiation Imaging Telescope Array System (VERITAS) project in Arizona. The change, which already has been approved and funded by the National Science Foundation, will allow the installation of the telescopes to commence at a location close to the site approved in the original bill.

REPORT OF THE GENERAL COUNSEL

General Counsel John Huerta directed the Regents' attention to the report's outline of the Internal Revenue Service's Intermediate Sanctions that went into effect in 1996. He noted his opinion that the Compensation and Human Resources Committee continues to observe those principles but thought it important to refresh the full Board's understanding of those guidelines. He added that his report included a list of all active cases in the Office of the General Counsel, noting his intention to provide this list on at least an annual basis and to report on new developments of interest to the Regents on a quarterly basis.

REPORT OF THE AUDIT AND REVIEW COMMITTEE

On behalf of Audit and Review Committee Chair Phillip Frost, who was unable to attend this meeting, Robert Kogod provided the Committee's report. Mr. Kogod said that the Committee's January 23, 2008, meeting included a presentation by KPMG, the Institution's external auditors, and reports from new Committee member Donald Chapin, the Comptroller, the Inspector

General, the General Counsel, the National Collections Coordinator, and the Chief Financial Officer.

Mr. Kogod characterized the KPMG report as relatively problem-free. KPMG partner John Keenan, who is responsible for the Institution's fiscal year 2007 audit, reported that KPMG had met the November 15, 2007, Federal closing package deadline, after which the package was sent to the Treasury. Unlike the previous year, the fiscal year 2007 closing package had received an unqualified opinion. Mr. Keenan said the final audit would be completed by February 15, 2008.

KPMG Manager Rebecca Horton then gave the Committee a presentation on the management letter that was included in the Federal closing package. Ms. Horton reminded the Committee of the effect of the newly issued Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, on the Smithsonian's closing package. Under the SAS No. 112 guidelines, which were applied to the Institution for the first time in fiscal year 2007, the new reportable matters category "significant deficiency" has a lower reporting threshold than "reportable condition," which was the category used in the past. She stated that the accounting staff shortage in the Office of Comptroller was a factor in the recorded adjustments and unrecorded differences noted in the audit, and that KPMG duly noted these issues as a "significant deficiency" in their audit report in the Federal closing package. Ms. Horton explained that because the new reportable matters category has a lower threshold, the Committee should expect to see more conditions requiring the Institution's attention in KPMG's report than has previously been the case. Nevertheless, Mr. Kogod expressed his opinion that the overall KPMG report was very good and that additional disclosures of note are not anticipated.

Mr. Kogod reported that the Committee also discussed proposed amendments to its Charter. He reminded the Regents that the proposed changes were in the Regents' agenda books and would be considered during the Board's discussion of the Governance and Nominating Committee Report.

Inspector General Sprightley Ryan apprised the Committee on the status of recent audits undertaken by her office, including an audit of travel spending and operations. Ms. Ryan also

reported on the ongoing audits of the expenses of both the former Secretary and the former Chief Executive Officer of Smithsonian Business Ventures, noting that the Secretary's and CEO's expense audits are being performed by Cotton & Company, an outside audit firm.

Mr. Kogod said that the Committee next heard from General Counsel John Huerta, who reported progress on the planned revisions to the Institution's financial disclosure form. Mr. Huerta noted that the revised form will align better with its Federal counterpart. Proposed revisions to the Smithsonian's Standards of Conduct, including the addition of a provision that addresses the issue of close personal relationships between supervisors and staff, also were discussed.

National Collections Coordinator William Tompkins also gave an extensive presentation to the Committee. Mr. Kogod drew the Regents' attention to two critical issues identified in Mr. Tompkins's report: museum security and the stewardship of the Institution's collections, noting that deficiencies in both areas put the Institution at risk. Although additional funding has been secured for the Institution's security force in fiscal year 2009, and just over half of the Institution's 18 museums and the National Zoo are either accredited or in the process of getting accreditation, Mr. Kogod said that the Committee is committed to a closer review of security and collections-care issues and that the Committee will request management to provide specific recommendations regarding both of these critical areas.

The Committee received a report from its newest non-Regent member, former Assistant Comptroller General and Chief Accountant of the former General Accounting Office Donald Chapin, who reviewed the Institution's response to the Independent Review Committee's findings, including shortfalls in both accounting staff and funding for facilities maintenance. Mr. Chapin's comments were characterized as constructive and prompted lengthy discussions by the Committee, which is committed to continuing its careful oversight of these areas, among others. Mr. Kogod added that several Committee members voiced concern about Mr. Chapin's apparent lack of knowledge about the Institution's significant progress in its governance reform initiatives over the past year. A Regent raised the question that, if a well-informed person such as Mr. Chapin wasn't fully aware of the Institution's improvements, what other important successes and issues are not being effectively publicized?

The Committee then received a report from Chief Financial Officer Alice Maroni. Ms. Maroni updated the Committee on her efforts to hire additional accounting resources. Mr. Kogod reminded the Regents of the difficulties encountered in this effort, as the Washington, D.C., area is acknowledged to be the tightest job market for accountants. Moreover, the Institution, because of the limitations of its compensation packages, is compromised in its efforts to be competitive in an already tight market. Mr. Kogod reported on Ms. Maroni's hiring strategy, which is directed in part towards finding recently minted college graduates and providing resources by which a competitive accounting staff can be developed from within. He added that the Committee received an update on various travel reviews by Ms. Maroni, after which executive sessions were conducted with KPMG representatives, the Inspector General, and the Chief Financial Officer.

Responding to Mr. Kogod's report, a Regent inquired about the Committee's confidence in KPMG, to which he answered that the Committee is both comfortable and confident in its external auditor. He reminded the Regents that, when the financial audit services contract was competed in the spring 2006, KPMG was determined to be most qualified of those that submitted bids. He added that improved communications between KPMG and the Institution have addressed the sort of issues that arose during the fiscal year 2006 audit and that the firm has provided additional expertise with regard to the Institution's investment portfolio.

Another Regent inquired if the proposed revisions to the Committee's Charter will strengthen communications between the Inspector General and the Board of Regents, including its Audit and Review Committee. Mr. Kogod confirmed that the proposed amendments will enhance those relationships, as well as advance the Institution's governance reform initiatives. The Regents then were reminded that the vote to approve these Charter amendments would be conducted during the Regents' consideration of the report of the Governance and Nominating Committee.

PROPOSAL TO COMMENCE CONTRACTING FOR AND CONSTRUCTION OF PHASE TWO OF THE UDVAR-HAZY CENTER

Acting Under Secretary Ira Rubinoff reported on the National Air and Space Museum's proposal to begin the process of contracting and subsequently constructing Phase Two of the Museum's Steven F. Udvar-Hazy Center. He first provided an overview of the Center's history.

Dr. Rubinoff reminded the Regents that the phased construction of the Center, including both Phase One and Phase Two, had been approved by the Board of Regents in 1995. The December 2003 opening of the Center's Phase One was achieved in large part with a \$65 million gift from Steven Hazy, as well as with funding from a \$77 million loan from the Institution's Central Trust. Dr. Rubinoff added that no Federal funds were used for the construction of Phase One, which has operated successfully since its opening. At the time of the Center's Phase One opening, the Board agreed that the construction of Phase Two would be funded solely by private funds and would commence only after such funds have been raised.

Since that time, repayment of the Central Trust loan for Phase One has proceeded ahead of schedule. Fund raising for Phase Two also has continued apace and, with the recent receipt of a \$15 million gift from the family of the former director of the National Air and Space Museum, the late Vice Admiral Donald D. Engen (USN), the Museum reported that it has raised \$55 million of the \$77 million estimated budget for the construction of Phase Two. However, just as the pool of secured construction funds has grown, the project's estimated construction costs also have escalated.

Because of rising construction costs and the fact that a significant portion of Phase Two funding already has been raised, the Museum requested that the Board of Regents allow it to pursue a construction contract and commence construction prior to securing all necessary funding for the Center's completion. Dr. Rubinoff added that the planning process will take about a year to complete and that an additional four years will transpire before the construction is finished. The Museum anticipates the remaining funds will be raised prior to the project's completion, a supposition supported by the Museum's outstanding fund-raising record.

Dr. Rubinoff also noted that, in addition to locking in the project's construction costs, approval to commence with Phase Two construction will achieve other important ancillary advantages. The opening of Phase Two will enable the Center to refocus on its primary mission: the restoration of aircraft in a safe facility. It also will help address, in part, the Institution's facilities maintenance backlog, as the Museum then will be able to raze four unsafe, obsolete buildings that currently house collections awaiting permanent installation at the Center. The Board was reminded that the public will be able to observe the care of these collections when the Center's visible conservation center opens.

During the discussion of the Museum's proposal, the Regents agreed that it is important to lock in the construction costs for Udvar-Hazy Center Phase Two, as well to provide a centralized location for the restoration and storage of the Museum's collection. Dr. Rubinoff added that the visible conservation center is anticipated to increase the high number of visitors the Center already draws.

The Board also considered the decision to proceed with regard to the opinions expressed by Senators Dianne Feinstein and Robert Bennett during the December 12, 2007, meeting of the Rules and Administration Committee. At that time, Congressional concern was strongly expressed about moving new projects forward when funding for existing projects already is inadequate. Office of Government Relations Nell Payne assured the Board that key committee staff had been informed of this proposal and, because it is a previously approved project, no concerns had been raised. The Regents also acknowledged the significance of the \$15 million gift from the family of the late Vice Admiral Donald D. Engen and his wife, the late Mary Baker Engen. In addition to greatly increasing the funding for Phase Two construction and paying tribute to two persons who were instrumental in the Center's creation, the Engen gift includes \$1 million to fund an endowment to support future renovations of the Center's Mary Baker Engen Restoration Hangar.

The Regents' consideration of potential misperceptions by key stakeholders, such as Congress, about the seriousness with which the Board regarded this proposal prompted discussion of an overarching need to convey, in both meeting minutes and approved motions, the careful

consideration and deep sense of fiscal responsibility by which the Board of Regents approves such initiatives. The proposed motion to commence the planning for and subsequent construction of Phase Two consequently was revised to acknowledge that the initiative was previously approved and will address, in part, the Institution's facilities maintenance backlog. The revised motion was accordingly approved.

See attached Resolution 2008.1.23 (Minutes of the Board of Regents, Appendix A).

REPORT OF THE GOVERNANCE AND NOMINATING COMMITTEE

Dr. Shirley Ann Jackson, the chair of the Governance and Nominating Committee, provided the report of the Governance and Nominating Committee. Dr. Jackson said that the Committee had met twice since the last Regents' meeting and made substantial progress on the Governance Reform Agenda. She added that the Committee will continue to address some of the more difficult aspects of the Agenda until the Committee's meeting in early February 2008.

Dr. Jackson pointed out that the Governance Scorecard, which had been included in the Regents' agenda books, noted the establishment of independent reporting structures between the Board of Regents and the Inspector General, the General Counsel, and the Chief Financial Officer. She added that these structural changes provide both the opportunity and the expectation that matters will be brought to the attention of the full Board of Regents.

Dr. Jackson then reported on the development of an overarching Code of Ethics, reminding the Regents that in June 2007 the Committee had tasked the Acting Secretary to oversee this initiative. The request had been made in response to the fact that, until this time, the Institution has operated under numerous ethical guidelines and standards of conduct. Dr. Jackson reported that, following several revisions, the Committee approved for the Regents' consideration a final draft of guidelines, which were largely influenced by the moral codes developed by the American Association of Museums and other independent sector organizations. She added that the final document will be renamed the "Statement of Values and Code of Ethics" in order to reflect best practices in the museum, not-for-profit, and Federal sectors. Accordingly, the Board approved a motion to adopt the Statement of Values and Code of Ethics.

See attached Resolution 2008.1.24 (Minutes of the Board of Regents, Appendix A).

Dr. Jackson also updated the Regents on efforts to review and update, as necessary, the charters for the Regents' committees. She reminded the Regents that, during their November 2007 meeting, they had approved a charter for the newly formed Facilities Revitalization Committee, as well as a charter template for use by all Regents' committees. Since that time, proposed charter amendments had been received from three other committees: Governance and Nominating, Finance and Investment, and Audit and Review. Dr. Jackson said that the Governance and Nominating Committee Charter was updated to reflect the merger of the Governance Committee and the Nominating Committee in June 2007; the Finance and Investment Committee Charter was modified to better reflect the actual template that the Regents approved, as well as to update the Bylaw citations; and the Audit and Review Committee Charter was updated to document the relationship between that committee and the Inspector General. She noted that, subsequent to the creation of the agenda books for this Regents' meeting, the Audit and Review Committee had met and proposed further modifications to its charter, and that those changes were reflected in the materials distributed at the beginning of the Board of Regents' meeting.

The proposed amendments to the three committee charters did not elicit comment from the Board. Accordingly, the proposed motion was approved.

See attached Resolution 2008.1.25 (Minutes of the Board of Regents, Appendix A).

Next Dr. Jackson presented the proposed list of Regents' committee assignments, which is customarily brought to the Board for approval each January. She reminded the Board that at the beginning of the month each committee chair had received an inquiry regarding possible changes to the membership of their committees. Dr. Jackson reported that no immediate changes were requested, although several committees had indicated their desire to include Mr. McCarter upon his appointment. Dr. Jackson added that the proposed committee assignments were approved by the Committee with the understanding that as many as three new Regents may join the Board by the end of June 2008 and that committee assignments may be reconsidered at that time, if not before.

Prior to submitting the proposed committee assignments for approval by the Board of Regents, Dr. Jackson pointed out an important committee change that would require additional action by the Board. She said that the Chancellor, because he largely has abstained from voting during Executive Committee meetings, had proposed that he step down as a voting member but continue to provide guidance to the Executive Committee, especially in the development of meeting agendas. This action, which complies with the Bylaws of the Board of Regents, would enable the addition of a third voting Regent to the Executive Committee while supporting the continued engagement of an invaluable member of the Board. It also is distinct from previously approved Bylaw amendments that better delineate the roles of the Chancellor and Chair of the Board.

Dr. Jackson reported that the Governance and Nominating Committee agreed to the Chancellor's request and recommended the election of Patricia Stonesifer to fill the resultant vacancy on the Executive Committee. She then explained that three motions were being proposed in response to these changes, the first being to record the Regents' formal acceptance of the Chancellor's recommendation, affirm the Regents' deep appreciation for his contributions, and express the Board's desire for the Chancellor's continued engagement with the Executive Committee in the manner so described. As the Charter requires the election of members to the Regents' Executive Committee and the Bylaws provide for the appointment of members to other committees, two other motions were submitted: one to approve the recommended committee appointments and the other to elect Ms. Stonesifer to the Executive Committee.

The Regents agreed with each of the Committee's recommendations. They expressed their gratitude for the contributions of the Chancellor, as well as their commitment to an organizational change intended to support his ongoing relationship with and critical contributions to the Executive Committee. The Regents also noted their appreciation for Ms. Stonesifer's willingness to contribute more of her efforts and expertise to the Board of Regents. Accordingly, the three motions were approved *en bloc*.

See attached Resolutions 2008.1.26 – 2008.1.28 (Minutes of the Board of Regents, Appendix A).

Dr. Jackson next reported on the Committee's review of the preliminary report by Board Source, the outside consultant assisting in deliberations regarding the size, structure, and composition of the Board of Regents. It was noted that, due to the complexity and difficulties of the issues involved, the Committee's deliberations were expected to continue over the coming weeks and that its recommendations are anticipated to be presented to the Board of Regents at its next meeting.

Dr. Jackson reminded the Regents of their November 2007 guidance to the Committee that it was to make every effort to find ways to strengthen the Board without opening the Charter. The Board was asked to affirm that that direction remains its sentiment. The Regents agreed that the Committee should continue its deliberations in the same manner. It was noted that, although the Board might benefit from the addition of more citizen Regents, pursuing changes in the Charter likely would slow the momentum of other important initiatives, such as the search for the next Smithsonian Secretary and the ongoing reform of the Institution's governance.

Regarding the latter, Representative Doris Matsui was commended for her well-crafted letter of January 19, 2008, to the editor of the *Washington Post* that outlined the considerable progress the Smithsonian has made to overhaul its governance in the last year. Dr. Jackson also expressed her great appreciation for Ms. Matsui's energetic and insightful contributions to the Governance and Nominating Committee.

Ms. Matsui's piece was cited as an excellent example of the sort of proactive and informative communications that should be emulated if the Congress and the public are to be kept abreast of the important strides the Institution and its Board of Regents have made in their governance reform initiatives. Dr. Jackson responded to this comment by noting that the Governance and Nominating Committee already has engaged in discussions regarding such critical outreach initiatives and that the Committee will be providing a follow-up report on its findings to the Regents at a later date. That report also will include the Committee's recommendations regarding the circulation, to both the Hill and other key stakeholders, of the forthcoming Board Source Report, as well as information about the Committee's and the Board's responsive actions.

Dr. Jackson then noted some of the specific recommendations the Committee had identified for the Board's consideration. The Committee believes that the Executive Committee should maintain the duties and jurisdiction previously outlined. However, Dr. Jackson said that the Committee will recommend that the newly established Office of the Regents provide the Board, the Committee, and key stakeholders with regular reports on the Executive Committee's actions, particularly those conducted in the absence of the full Board. The Committee also will develop a methodology by which the Board can discern which Executive Committee actions require the ratification of the full Board of Regents.

The Committee also will be providing preliminary recommendations regarding the structure of the Regents' committees. Dr. Jackson said that there is a strong consensus among Regents and staff that a Regents' development or institutional advancement committee should be created. The committee could serve as a sounding board on policy, vet proposed gifts, and review and approve gift policies prior to their submission to the full Board, as well as oversee a national campaign if one should be launched. Dr. Jackson added that the Governance and Nominating Committee had discussed how such a committee would interface with the standing Facilities Revitalization Committee.

In addition, Dr. Jackson reported that the Committee had considered the establishment of a Regents' program or strategic planning committee. Although the Governance and Nominating Committee agreed that further consideration of this initiative should not be pursued until the permanent Secretary is selected, it strongly felt that the Institution must soon design a robust strategic planning process that may require the establishment of a Regents' committee to partner with the Secretary.

Concluding her report, Dr. Jackson said that the Committee agreed that it must do a better job of articulating — to the Board and to the public — the duties, responsibilities, and obligations of the Board of Regents. She noted that the Committee recognizes the unique experiences and expertise that each individual and each class of Regents bring to the Board and that expectations may vary accordingly. With the support of General Counsel John Huerta, the Committee will be

submitting a revised Statement of Duties for the Board's consideration at its next meeting, as well as additional recommendations regarding the size, composition, and structure of the Board.

The Regents then went into Executive Session to discuss select issues regarding the size and composition of the Board. The Executive Session opened for a short time to record the approval of a proposed motion to elect Roger Sant as Chair of the Board of Regents. The Regents then briefly reconvened in Executive Session before recessing for lunch as 12:03 p.m.

See attached Resolution 2008.1.29 (Minutes of the Board of Regents, Appendix A).

AFTERNOON PLENARY SESSION

The Board of Regents reconvened for the afternoon session at 1:12 p.m. Prior to resuming their discussion of the agenda, the Regents were informed by Dr. Samper that the Institution recently had been informed of a pending \$5 million gift from the Boeing Company to support planning for the National Museum of African American History and Culture. Because a naming will not be associated with the gift, the agreement will not require the full approval of the Board of Regents. Dr. Samper reported that the gift agreement, when it is finalized, consequently will be considered by the Executive Committee.

REPORT OF THE FINANCE AND INVESTMENT COMMITTEE

Finance and Investment Committee Chair Eli Broad provided an update on the Committee's recent activities, including its January 22, 2008, meeting. Mr. Broad noted that there was not a quorum at that meeting but that the proposed motion to be presented to the Regents had been approved subsequently by mail-in ballot. During that meeting four topics were discussed: the activities of the Investment Committee, the fiscal year 2007 year-end financial report, the fiscal year 2009 budget request, and the revised Smithsonian Business Ventures capital investment plan for fiscal year 2008. Mr. Broad reported that the Investment Committee, a subcommittee of the Finance and Investment Committee, met two times since the September 2007 Regents' meeting and that the Committee's chair, David Silfen, would provide a more detailed update on its activities to the Regents.

Mr. Broad said that the fiscal year 2007 year-end financial report was presented to the Committee by Chief Financial Officer Alice Maroni, who reported that the Institution had had a good year financially. Fund raising exceeded budget by some \$51 million, the Endowment outperformed its benchmarks and ended the fiscal year at an all-time high of just less than \$1 billion, and the Institution's unrestricted Trust budget produced a surplus for the fourth year in a row.

Nevertheless, Ms. Maroni said that Federal financial support remains problematic and funding for critical facilities and program initiatives continues to be insufficient. Budget shortfalls also are exacerbated by the fact that the Institution must absorb the annual cost of Congressionally mandated Federal pay raises. The Committee was reminded that the Institution began its fiscal year with a Federal operations shortfall of \$1.1 million, which management addressed by scaling back the Institution's Computer Replacement Program and using unanticipated savings from the Institution's Energy Conservation Program.

The fiscal year 2007 Federal budget for facilities was held at the 2006 funding level. Funding for facilities maintenance rose to \$51.3 million (a \$5.8 million increase), but still fell short of the minimum industry standard of \$94 million. Funding for the Facilities Capital budget in fiscal year 2007 was held at the fiscal year 2006 funding level which, because it reflected a planned reduction in the construction program, provided an increase to \$93 million for facilities revitalization over the previous year. Mr. Broad reported that because Federal funding for facilities remains insufficient for Institutional renewal and inadequate for important scientific and other critical programmatic initiatives, the Committee also discussed the efforts of the Facilities Revitalization Committee and its consideration of an Institution-wide fund-raising campaign.

Mr. Broad said that the Committee then discussed the fiscal year 2009 Federal budget request that would be submitted to the Congress in early February 2008. As most non-defense budget requests were reduced in response to the President's priorities (the war on terrorism, homeland security, and the economy), the Institution's negotiations with the Office of Management and Budget were characterized as positive and resulted in a fiscal year budget request to Congress of

\$716 million, a 5 percent increase over the fiscal year 2008 appropriation. Despite the fact that the negotiations resulted in a far better outcome than that received by a majority of non-defense agencies, the Committee was reminded that the proposed budget falls considerably short of what is needed by the Institution to sustain operations, fix facilities, and invest in intellectual capital. In addition, the proposed budget includes an alarming \$11 million reduction in funding for existing programs, specifically the Institution's public programs, exhibitions, and research.

Following this summary of the fiscal year 2009 Federal budget request, the Regents considered a proposed motion to allow the Acting Secretary to submit the budget to the Congress, as well as to inform both the Office of Management and Budget and the Congress about the potentially dire implications of the proposed budget on the mission and priorities of the Institution. Accordingly, the motion was approved.

See attached Resolution 2008.1.30 (Minutes of the Board of Regents, Appendix A).

Mr. Broad concluded his report by summarizing the Finance and Investment Committee's review of the Smithsonian Business Venture Capital Investment Plan for fiscal year 2008. He noted that the original plan was approved by the Committee in September 2007, but that portions of the plan were subsequently revised and the amended plan was approved by the Committee using e-mail ballots in November 2007. Among other things, the approved plan addresses food service at the National Museum of American History and the inclusion, on a temporary basis, of revenue-generating simulators in a portion of the space previously occupied by that museum's food service. Mr. Broad reported that the additional \$3.1 million in capital required for the American History Museum construction will bring the total Smithsonian Business Venture capital requirement for fiscal year 2008 to \$10.82 million.

Mr. Broad then invited David Silfen, the non-Regent chair of the Investment Committee, to present an update on the subcommittee's activities, including the third-party review of the Institution's investment policies and procedures. Mr. Silfen directed the Regents' attention to a handout distributed at the beginning of the meeting and said that he would review four topics during his presentation: the status of the portfolio at both calendar and fiscal year-end; the

recently completed audit review; Cambridge Associates' governance review; and the Investment Committee's goals for 2008.

Mr. Silfen reported that the Endowment's value at fiscal year-end was \$999 million and posted just over 18 percent in returns, which was slightly more than 2 percent above the 16.6 percent posting of its peer universe. Assets were distributed as follows: just over 50 percent in Emerging Markets; 26 percent in Absolute Return; and the balance in Private Equity and Fixed-Income Securities. Mr. Silfen also drew attention to the Endowment's Absolute Return performance of about 25.8 percent vis-à-vis its 13 percent benchmark.

Because of the market's recent volatility, Mr. Silfen also gave updated numbers from the end of the calendar year. The Endowment ended the calendar year at \$1,074,000,000, which included the transfer of more than \$70 million from the working capital short-term fund into the Endowment, which had been approved by the Board at its November 2007 meeting. Mr. Silfen reported that, because the Investment Committee subsequently was somewhat uncomfortable with the state of the market, it determined that the immediate investment of those short-term funds was not desirable. The Endowment therefore ended the calendar year with a little over \$80 million, or 7 percent of the Endowment, in cash.

Mr. Silfen then reviewed the Investment Committee's long-term investment objectives. These core goals are intended to provide stable growth to the Endowment, reduce volatility, and protect the purchasing power of the Endowment against inflation. Like many peer institutions in the not-for-profit world, the Institution's Endowment has a benchmark of 5.5 percent real return against inflation, a level that has been consistently exceeded; it also strives to keep its investment performance in the top quartile of comparable institutional portfolios. Using the fiscal year-end closing date of June 30, 2007, which is used by most not-for-profit endowments in the Institution's peer universe, Mr. Silfen reported that the Institution was comfortably in the top quartile for that year.

Regarding efforts to reduce the volatility of the Endowment, Mr. Silfen reminded the Regents that this objective was established in response to, among other things, precipitous drops in peer

universe endowments after fiscal year 2000. In the case of the Institution's Endowment, which closed fiscal year 2000 at \$740 million, it subsequently lost almost \$200 million over the course of the next two years. The Investment Committee is hopeful that its initiatives will not only reduce the Endowment's volatility but also contribute to the growth of the Smithsonian's Endowment.

A Regent inquired about the Endowment's exposure in areas currently experiencing difficulty in the market. Mr. Silfen explained that the Endowment is not directly managed by the Investment Committee but is controlled by 40 professional investment managers with large and diverse allocations of assets. Therefore, even if some of the Endowment's investments are in asset classes temporarily out of favor in either the marketplace or the press, they would be within a larger pool of many other investments and thus protected from temporary market fluctuations because of the diversity of investments.

Mr. Silfen then directed the Regents' attention to the recently completed audit review and asked Director of Investments Amy Chen to provide an overview to the Regents. Ms. Chen reported that, in response to changes in accounting guidelines in fiscal year 2006, the Institution's external auditors KPMG identified a reportable condition due to the lack of formal procedures regarding investment valuations. In response, the Office of Investments added a CPA to the staff to manage its audit and operations; the office's policies and procedures also were improved to meet the new audit requirements. Ms. Chen said that, with the addition of a better qualified investment specialist, the team's auditing approach is more in line with industry practices and that, with respect to the fiscal year 2007 audit, no material weaknesses or reportable conditions have been identified to-date.

Mr. Silfen commented on the Investment Committee's frustration with the auditors' assessment of the Endowment's deficiencies. He said that the Committee believes that the magnitude of the shortcomings had been grossly overstated and was a reflection of an auditor's lack of experience with the types of sophisticated investments the Endowment had made. He added that a number of other endowments had experienced similar difficulties and that the industry as a whole was reassessing the capabilities of its auditors. Mr. Silfen then expressed his appreciation to Ms.

Chen, Ms. Maroni, and their staffs for the amount of time and effort that was expended on both correcting the misperceptions of the fiscal year 2006 audit and achieving a better outcome in the fiscal year 2007 review.

Mr. Silfen's presentation then moved to the Governance Review. He reported that the Investment Committee had engaged the service of a well-known endowment consultant, Cambridge Associates, to assess the governance procedures of both the Investment Committee and the Office of Investments, as well as to benchmark the governance procedures at the Smithsonian versus those for similarly sized not-for-profit endowments in the roughly billion dollar range.

The review began with a self-assessment by Investment Committee members, the results of which revealed that, as a whole, the group felt reasonably good about the composition, the roles, and the meeting structure of the Committee. The group also agreed that it needs better risk-reporting measures, that the staff and resources of the Office of Investments need to be increased, and that the reporting relationship between that office and the Board of Regents should be reviewed.

Mr. Silfen explained that Cambridge Associates then assessed the critical components of the Committee, such as its structure, policies, accountability, and resources, and compared those to a peer group. He added that the Committee specifically requested that the consultant conduct a very critical assessment that would focus on identifying the inadequacies of the Committee. Cambridge Associates subsequently reviewed approximately 35 areas within the four to five components of the Endowment. Efforts to restructure the Endowment over the past two-and-a-half years were commended, as well as the Committee's conflict-of-interest policy, the changes in time spent on asset allocation, and communications regarding management selection with staff. Mr. Silfen reported that the overall structure and activities of the Investment Committee were regarded highly by the consultant.

The review also noted four areas where improvements could be made. Cambridge Associates recommended changing of the status Investment Committee from a subcommittee of the Finance and Investment Committee to a stand-alone Regents' committee, thereby separating the finance

and budgeting functions of the Institution from its investment activities. Cambridge Associates also questioned the length of Committee members' terms of service, suggesting that the members' terms be increased from the current five-year-terms to terms that are eight-to-ten years in length; the consultant also recommended staggering members' appointments. Changes to the portfolio's reporting mechanisms were recommended, and increased analysis of the risk intrinsic in the portfolio was suggested. Mr. Silfen said that Cambridge Associates also stressed that the Office of Investments was understaffed, particularly given the size of the investment managers (approximately 40), the complexity of the portfolio, and the competitive compensation structure found in similar not-for-profit groups.

In response to this overview of Cambridge Associates' report, the Regents considered the issue of confidentiality with regard to complex investment strategies, which was previously noted in the Acting Secretary's discussion of the Institution's FOIA-related directive. The Regents agreed that many sophisticated money managers are open to due diligence and normal scrutiny, but don't divulge specific individual investments made within their fund families. The Regents also acknowledged that the management of the Institution's Endowment is fairly unique in its peer universe, as many not-for-profit organizations do not receive Federal funding and therefore are not subject to certain actions, such as Freedom of Information Act requests.

Mr. Silfen then addressed the Committee's agenda for the coming year, which includes addressing the issues outlined in its governance review. He noted that two areas of the Institution's real assets — real estate commodities and private equity — warrant additional investment activity. The Committee also intends to develop more robust portfolio risk reports and to continue its review of the staffing levels and compensation programs of the Office of Investments.

Responding to Mr. Silfen's report, the Regents discussed the relative merits of creating a stand-alone Investment Committee. A number of Regents disagreed with the recommendation of Cambridge Associates, noting that the effectiveness of the Committee's initiatives to-date has been achieved without such an organizational change.

A wider distribution of the Cambridge Associates' report also was discussed. As the report provides an excellent overview of the Investment Committee's actions, the Regents agreed that it would support communications with the Congress about the Institution's responsible management of its Endowment, as well as demonstrate the Institution's ongoing actions to enhance its governance. Mr. Broad noted that because the Endowment's performance has surpassed many within its peer universe, a comparison with similar-sized institutions' endowments also would be beneficial.

The Board thanked Mr. Broad for his overview of the Finance and Investment Committee Report, as well as Mr. Silfen and Ms. Chen for their updates on the activities of the Investment Committee.

REPORT OF THE FACILITIES REVITALIZATION COMMITTEE

Committee Chair Robert Kogod presented the Facilities Revitalization Committee's report on its activities and a summary of its January 4, 2008, meeting. Expanding upon the Regents' earlier discussion of the December 12, 2007, Congressional hearing, Mr. Kogod said that he was particularly concerned about the possible implications of the two-to-one \$15 million Legacy Fund proposed by Senator Dianne Feinstein. Under the terms of that proposal, the Institution must raise \$30 million in order to secure an additional \$15 million in Federal funding for its facilities.

The Regents engaged in a lengthy discussion about the feasibility of the proposition. Although the Board recognized that the proposed Legacy Fund represented the Congress's first formal recognition of the Institution's facilities revitalization funding crisis, it was unanimous in its opinion that, though well-intended, the proposal was impractical. The documented inability of other not-for-profit organizations to raise funds for deferred maintenance was cited. Moreover, the Regents agreed that the adoption of this proposal would set a dangerous precedent, for it was based in part on the assumption that the funding of the Smithsonian's facilities maintenance is not a Federal responsibility.

A Regent pointed out that, even if the Smithsonian somehow were able to raise the funds needed to achieve the proposed match, Congress might not ever pay the \$15 million it has promised. A comparison was made with commitment the Congress made some 20 years ago to fund 40% of special education costs — and the fact that, since that time, actual Federal funding for special education has been well below half of what was promised.

The Regents discussed drafting a follow-up letter in response to the hearing and the proposed terms of the Legacy Fund. The intention of the letter would be to make clear the Regents' deep reservations about the implications of the well-meaning but unrealistic terms of the Fund; to reassert the Regents' belief that the Federal government is responsible for funding the Institution's capital improvements and maintenance; and to provide a public record of the Regents' response. The Board agreed that that the Congressional Regents will play a critical role in this process and that they must quickly work to alert their colleagues to the implications of the proposed Legacy Fund and disabuse them of ill-advised assumptions about the practicability of its terms. The Regents also agreed that providing a third-party survey of similar institutions' fund-raising initiatives for deferred maintenance, which have by-and-large failed, would be extremely effective in conveying the implausibility of the proposed terms of the Legacy Fund.

The Board also made clear, however, that its response must be carefully crafted, as the Smithsonian does not want to reject outright this important acknowledgement of the Institution's facilities revitalization crisis. It also recognized that many members of Congress continue to seek evidence that the Smithsonian is committed to assuming its share of fiscal responsibility. The Regents agreed that the proposal should be reframed to acknowledge both the Institution's significant and ongoing fund-raising efforts, as well as the responsibility of the Federal government to fund the Smithsonian's capital improvements and maintenance. The Board also agreed that the Smithsonian will need to recast and reframe this position on an annual basis to the Congress.

Mr. Kogod then reported that the Committee had discussed the status of the Request for Qualifications for the Arts and Industries Building; the need for additional security in the Smithsonian museums; and the December 17, 2007, letter from Senator Feinstein. Senator

Feinstein's letter included requests for a comprehensive, up-to-date, and prioritized list of capital maintenance projects, as well as a status report on a Smithsonian capital fund raising campaign. Mr. Kogod said that the Office of Facilities, Engineering and Operations had nearly completed its list of capital maintenance projects, which are projected to cost just over \$8 million per year. Mr. Kogod added that Senator Feinstein had asked that projected projects also be included on the capital maintenance projects list.

The Committee also received a report from Director of the Office of External Affairs Virginia Clark on the initial draft of a comprehensive capital fund-raising campaign. Ms. Clark said that the central Office of External Affairs is working closely with the National Board and all of the other Smithsonian advisory boards to develop a comprehensive campaign intended to address, in part, the funding needs for major Smithsonian programming, as well as for minor facilities revitalization. Mr. Kogod said that the Committee will keep the Regents informed on the campaign's development.

In light of the enormity and complexity of the Institution's \$2.5 billion shortfall in facilities revitalization funding, Mr. Kogod discussed the need to increase the size of the Committee. He added that Mr. Darman had played a critical role as a non-Regent member of the Committee and that his untimely passing represented a personal, as well as a professional, loss to the Committee. Mr. Kogod concluded his presentation by noting that the Committee also had received reports from the Acting Secretary on the fiscal year 2008 and 2009 budgets.

REPORT OF THE SMITHSONIAN BUSINESS VENTURES TASK FORCE

Acting Secretary Samper reminded the Board that the Smithsonian Business Ventures Task Force had been created at his request with the charge to conduct a comprehensive review of Smithsonian Business Ventures (SBV) and to provide recommendations regarding its structure and governance going forward. The Task Force, which included four members of the Institution's advisory boards and five members of the Smithsonian staff, subsequently produced a 60-some page report that was distributed to the Regents in advance of the meeting. Dr. Samper also noted that, despite the internal and external controversies that have surrounded SBV over

the years, the unit has played a critical role in the fiscal health of the Smithsonian, annually providing about \$25–26 million in net unrestricted income. Task Force Chair Marshall Turner then presented the Task Force’s report.

Mr. Turner first reemphasized that the Smithsonian has much to be proud of regarding the activities of Smithsonian Business Ventures, as aspects of it have been very successful and clearly have contributed financially to the health of the Institution. He noted the importance of maintaining this perspective when reviewing the issues that recently have drawn scrutiny, as the successful implementation of the Task Force’s recommendations will depend in part upon a renewed appreciation for the real and potential opportunities the unit has to offer.

Mr. Turner said that the staff of Smithsonian Business Ventures, especially at the middle and lower levels, is dedicated and skilled, as evidenced by the detailed and constructive comments that were submitted to a confidential e-mail account set up for this review. Moreover, he said that SBV employees share with the rest of the Smithsonian an enthusiasm for its mission and that the “cultural division” between the two is not as large as some have perceived.

Mr. Turner noted that many of the concerns studied by the current Task Force were previously considered in a seminal 1997 study of the Institution’s business activities. At that time, the annual goals of the Institution’s business enterprises, both financial and otherwise, were not clear or elaborate; good operating data were not available; and the Smithsonian culture did not support the activities necessary to increase revenues and profits. The 1997 study resulted in the January 1998 creation of the Regents’ *ad hoc* Committee on Business, as well as that committee’s September 1998 recommendation to reorganize the Institution’s business activities into a centralized business entity.

According to Mr. Turner, the current Smithsonian Business Ventures Task Force does not believe that the SBV structure established in 1998 is the source of the unit’s issues today. Rather, the Task Force concluded that SBV’s current problems largely resulted from the incomplete implementation of previously established policies. In addition, the group cited the failure of Smithsonian leadership, both in the museums and in the Castle, to establish and support a

cultural tone of respect for and interest in SBV activities. Mr. Turner added that many of SBV's current issues could have been avoided if they had been addressed immediately and not allowed to become embedded attitudes and practices.

Mr. Turner noted the Task Force's conclusion that SBV should remain a part of the Institution. He then provided an overview of the Task Force's recommendations, which largely were made in response to three issues: how to renew retail stores, how to divide revenues, and how to reconnect these activities to the scholarship side of the Institution through changes in governance, behaviors, and processes.

The Task Force said that problems within the retail stores should be addressed from within, as outsourcing would result in a loss of both value and oversight, as well as potentially exacerbate preexisting cultural divides. Guided by a strong sense of future opportunities, the group recommended that the activities of the retail stores and the catalog be bundled into a more comprehensive retail organization.

Revenue sharing, according to the group, should be simplified and tied to net gain. All profits should be shared. The current multitude of different business agreements should be replaced by one overarching agreement that supports closer ties between the retail activities and the mission of the Institution.

Acknowledging that some level of tension may always exist between scholarship and mercantilism, the Task Force strongly recommended that the Institution structure situations, as well as establish a common vocabulary, to support effective dialogues about the performance of the Institution's stores and other museum-related business activities. SBV directors' performance metrics should include non-financial goals that assess, among other things, their ability to connect their activities to the mission of the Smithsonian and the goals of individual museums. To assist in this process, museum directors should have input in the performance evaluations of the managers of their museums' retail operations. The Task Force emphasized that the successful implementation of a new, overarching performance system must be based upon a top-to-bottom culture of mutual respect.

To enhance pan-Institutional communications and develop a common sense of purpose, the Task Force proposed that the head of SBV conduct quarterly meetings with unit directors. Such meetings should be designed to encourage open exchanges of information, as well as to keep Smithsonian management apprised of the current activities and goals of SBV. The Task Force also recommended that a SBV business plan be created and distributed on an annual basis. Mr. Turner added that the Board of Regents should be familiar with the contents of the business plan.

The Task Force cited several areas with untapped potential. It noted that the Smithsonian's websites receive more visitors than its museums, a phenomenon that is expected to increase and become more competitive in the future. The Task Force recommended that SBV's Web-based initiatives better capitalize on the unit's unique relationship with the Smithsonian geographic, emphasizing that enhanced virtual visits to the Institution will benefit both scholarly and revenue-generating activities, as well as support a constructive synergy between the two.

The Task Force also considered the governance of SBV and its position within the larger Institution. The members recommended that more attention is paid to the critical links, such as processes and relationships, that connect SBV's activities to the scholarship and mission of the Institution. The Task Force supported the continued oversight of the Regents' Compensation and Human Resources with regard to the compensation of SBV executives; it also recommended that the Finance and Investment Committee oversee the SBV financial statements and business plans.

The Task Force acknowledged that it will require considerable effort to address the issues noted in its report and to implement its recommendations. It also believes that the successful implementation of the Task Force's recommendations largely will rest on leadership's dedication to establishing and enforcing new norms within SBV, throughout the rest of the Institution, and in the critical junctures between the two. A culture of respect must be cultivated and maintained, and increased attention must be paid to collaborative leadership styles.

Despite these challenges, said Mr. Turner, the Task Force remains steadfast in its support for Smithsonian Business Ventures and the potential it holds. Although the implementation of the

Task Force's recommendations may prove to be challenging, such actions will advance both financial and mission-based support for the Institution.

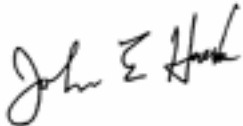
The Board then considered a motion to express its appreciation to the Task Force for the comprehensive review of Smithsonian Business Ventures, as well to authorize the Acting Secretary to restructure and rename the business enterprises unit, to endorse the Task Force's recommendation to not outsource SBV retail activities, to adopt the proposed revenue-sharing formula, and to request quarterly reports from the unit. Accordingly, the motion was approved.

See attached Resolution 2008.1.31 (Minutes of the Board of Regents, Appendix A).

ADJOURNMENT

There being no further business, this regular meeting of the Board of Regents was adjourned at 2:43 p.m., after which the Regents met in executive session.

RESPECTFULLY SUBMITTED,



JOHN E. HUERTA
RECORDING SECRETARY AND GENERAL COUNSEL

MINUTES OF THE BOARD OF REGENTS

January 28, 2008

APPENDIX A APPROVED RESOLUTIONS

VOTED the Board of Regents expresses its profound appreciation to the memory of Richard Darman, an esteemed and true friend of the Smithsonian Institution, and extends its heartfelt sympathies to the Darman family. [2008.01.01]

VOTED that the Board of Regents approves the Minutes of the Meeting of November 19, 2007, as previously circulated on January 23, 2008. [2008.01.2]

VOTED that the Board of Regents reappoints L. Hardwick Caldwell III as chair of the Smithsonian National Board for a renewable, one-year term effective immediately. [2008.01.3]

VOTED that the Board of Regents reappoints Ann Fudge, Quincy Jones, Homer Neal, Richard Parsons, and H. Patrick Swygert to the Advisory Council of the National Museum of African American History and Culture for three-year terms effective immediately. [2008.01.4]

VOTED that the Board of Regents reappoints Bennetta Jules-Rosette to the Board of the National Museum of African Art for a three-year term effective immediately. [2008.01.5]

VOTED that the Board of Regents appoints Catherine Morrison Golden to the Board of Directors of the National Museum of the American Indian, George Gustav Heye Center, for a three-year term effective immediately. [2008.01.6]

VOTED that the Board of Regents appoints Sheryll Cashin and reappoints Sally Chubb and Jill Krementz to the Commission of the National Portrait Gallery for four-year terms effective immediately. [2008.01.7]

VOTED that the Board of Regents appoints Beverly L. Perry, Jessica Stockholder, and Gary Wolkowitz and reappoints Richard A. Brodie, L. Hardwick Caldwell III, James F. Dicke II, Jean B. Mahoney, and Charles H. Moore to the Commission of the Smithsonian American Art Museum for four-year terms effective immediately. [2008.01.8]

VOTED that the Board of Regents reappoints Scott W. Nixon, Midgett S. Parker, Jr., and Charles G. Rose III to the Advisory Board of the Smithsonian Environmental Research Center for three-year terms effective immediately. [2008.01.9]

VOTED that the Board of Regents appoints Suzanne M. Carroll to the Board of the Smithsonian Institution Libraries for a three-year term effective immediately. [2008.01.10]

VOTED that the Board of Regents approves the proposed revisions to the Bylaws of the Board of the Smithsonian Institution Libraries. [2008.01.11]

VOTED that the Board of Regents confers the title of Regent Emeritus on Anne d’Harnoncourt with heartfelt gratitude for the outstanding service she has provided to the Smithsonian Institution. [2008.01.12]

VOTED that the Board of Regents creates the American Art Docent Endowment at the Smithsonian American Art Museum to support the docent program of the Museum and its Renwick Gallery. The endowment payout will fund core activities of the docent program, with priority given to docent recruitment, training, enrichment lectures, audio-visual support, reference materials, and public programs organized and/or supported by the docent corps. The funds may not be used for hospitality or other social activities of the docents. [2008.01.13]

VOTED that the Board of Regents recognizes the generosity of Theiline Pigott Scheumann and The Andrew W. Mellon Foundation and creates the Visiting Latin American Scholars Endowment, a fund to support, in perpetuity, research opportunities at the Smithsonian Tropical Research Institute for visiting scholars from Latin America. [2008.01.14]

VOTED that the Board of Regents creates the Smithsonian American Art Museum Endowment, a quasi-endowment to benefit the Museum’s programmatic purposes, as determined by the Museum director, and authorizes the transfer of the funds identified for this purpose. [2008.01.15]

VOTED that the Board of Regents recognizes the generosity of Raymond J. and Margaret Horowitz to the Smithsonian American Art Museum and approves the renaming of the Raymond J. Horowitz Endowment as the Raymond J. and Margaret Horowitz Endowment. [2008.01.16]

VOTED that the Board of Regents recognizes the generosity of D. Travis and Anne Engen to the National Air and Space Museum and names the restoration hangar at the Museum’s Steven F. Udvar-Hazy Center the Mary Baker Engen Restoration Hangar, in perpetuity, and creates the Restoration Hangar Endowment, an endowed fund to support future renovations of the facility. [2008.01.17]

VOTED that the Board of Regents recognizes the generosity of The Whitney & Elizabeth MacMillan Foundation and approves the naming of the Elizabeth MacMillan Director of the National Museum of American History, in perpetuity, and the renaming of the Director’s Endowment Fund of the National Museum of American History to the Elizabeth MacMillan Director’s Endowment Fund of the National Museum of American History, in perpetuity. [2008.01.18]

VOTED that the Board of Regents recognizes the generosity of Sony Electronics Inc. to the National Museum of Natural History, and its Ocean Hall exhibition and High Bay Media Experience, and accepts the terms of the gift agreement. [2008.01.19]

VOTED that the Board of Regents recognizes the generosity of the Motorola Foundation to the National Postal Museum, and its *Systems at Work* exhibition, and accepts the terms of the gift agreement. [2008.01.20]

VOTED that the Board of Regents recognizes the generosity of Target Corporation to the Smithsonian and to Cooper-Hewitt, National Design Museum and approves continuing the naming of the Target National Design Education Center for 40 years from the date of the gift agreement. In addition, the Board approves Target being the only donor that may receive naming recognition on the Museum's lower level. [2008.01.21]

VOTED that the Board of Regents recognizes the continued generosity and dedication of Susan and Elihu Rose to the National Museum of American History and approves extending the naming of the Susan and Elihu Rose Gallery to 31 years from the date the gallery opens. The Museum anticipates opening the gallery in 2009 and that the naming will be in effect through 2040. [2008.01.22]

VOTED that the Board of Regents approves the contracting for and the construction of Phase Two of the National Air and Space Museum's Steven F. Udvar-Hazy Center, based on the Museum's successful fund-raising history for Phase One, the positive momentum of its current fund-raising campaign for Phase Two, and the understanding that this action will secure a fixed contract price that will limit further escalation of associated construction costs for the next phase of this long-term commitment, the phased construction of which was approved by the Regents in 1995. The Board recognizes that the subsequent demolition of some of the Museum's derelict and unsafe collections storage facilities as a result of construction of Phase Two will address in part the Institution's facilities challenges by avoiding some future, necessary capital repairs. [2008.01.23]

VOTED that to promote best practices and the highest professional standards at the Smithsonian, the Board of Regents approves the Statement of Values and Code of Ethics as proposed by the Acting Secretary. [2008.01.24]

VOTED that the Board of Regents approves the proposed revised charters for the following committees: Audit and Review, Finance and Investment, and Governance and Nominating. [2008.01.25]

VOTED that, pursuant to Bylaw 3.02, the Board of Regents elects Patricia Q. Stonesifer as a member of the Executive Committee, effective January 28, 2008. [2008.01.26]

VOTED that the Board of Regents approves the list of committee memberships, effective January 28, 2008, until the first meeting of calendar year 2009 or until further action of the Board, whichever comes first. [2008.01.27]

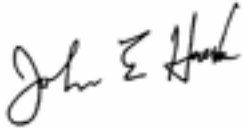
VOTED that the Board of Regents expresses its deep gratitude for the contributions of the Chancellor to the Executive Committee and accepts the proposed organizational change intended to support his ongoing relationship with and critical contributions to the Committee, as well as to enable the addition of another Regent to the Executive Committee. [2008.01.28]

VOTED that the Board of Regents appoints Roger W. Sant as chair of the Smithsonian Institution's Board of Regents for a one-year term effective immediately. [2008.01.29]

VOTED that the Board of Regents authorizes the Acting Secretary to submit to Congress a Federal budget for fiscal year 2009 as part of the President's budget in the amount of \$716 million as negotiated with OMB. In addition, the Board authorizes the Acting Secretary to inform OMB and Congress fully about the implications of the President's budget for the mission and priorities of the Institution. [2008.01.30]

VOTED that the Board of Regents expresses its appreciation to the Smithsonian Business Ventures Task Force for its report and recommendations; authorizes the Acting Secretary to restructure and rename Smithsonian Business Ventures, following the recommendations in the report; endorses the decision by the Acting Secretary not to outsource the retail stores and to develop a new revenue-sharing formula with the museums; and requests quarterly reports on business activities be provided to the Board of Regents in a manner determined by the Governance and Nominating Committee. [2008.01.31]

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, appearing to read "John E. Huerta". The signature is written in a cursive, slightly slanted style.

JOHN E. HUERTA
RECORDING SECRETARY AND GENERAL COUNSEL