

**MINUTES OF THE
MAY 5, 2008, MEETING
OF THE
BOARD OF REGENTS
OF THE
SMITHSONIAN INSTITUTION**



Smithsonian Institution

SMITHSONIAN INSTITUTION
Minutes of the Meeting of the Board of Regents

May 5, 2008

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MINUTES OF THE BOARD OF REGENTS

May 5, 2008

ATTENDANCE

This regularly scheduled meeting of the Board of Regents was held on Monday, May 5, 2008, in the Regents' Room of the Smithsonian Institution Building. The meeting was comprised of plenary morning, afternoon, and executive sessions. As the Chief Justice was unable to attend the morning session, Board Chair Roger Sant called the meeting to order at 9:07 a.m. Present during the meeting were:

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

L. Hardwick Caldwell, Chair, Smithsonian National Board

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

Also present were:

Acting Secretary Cristián Samper
Secretary-Elect G. Wayne Clough ⁶
Acting Under Secretary for History, Culture, and Art Richard Kurin
Acting Under Secretary for Finance and Administration Alison McNally
Director of External Affairs Virginia B. Clark
Chief of Staff to the Regents John K. Lapiana
General Counsel John E. Huerta
Associate General Counsel Marsha S. Shaines
Chief Financial Officer Alice C. Maroni
Director of Communications and Public Affairs Evelyn Lieberman
Director of the Office of Government Relations Nell Payne
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 Chief Justice John G. Roberts, Jr., attended the afternoon plenary session, as well as the afternoon executive session.

² Congressman Becerra, who was unable to attend the morning plenary session, arrived during the discussion of the Arts and Industries Building.

³ Mr. Broad was unable to attend the afternoon plenary meeting or executive session.

⁴ Senator Dodd was unable to participate in the morning plenary session and participated via teleconference in the afternoon plenary session and executive session.

⁵ Mr. Kogod recused himself from the discussion of the future of the Arts and Industries building.

⁶ Secretary-Elect Clough attended at the request of the Regents.

The morning plenary session of the Board of Regents ended at 12:18 p.m. and adjourned for lunch. The Board reconvened for its afternoon plenary session at 1:11 p.m. The Chief Justice as Chancellor presided over the afternoon session, which concluded at 2:36 p.m., after which an executive session was conducted. The following matters were discussed:

MORNING PLENARY SESSION

OPENING REMARKS

Board Chair Roger Sant welcomed the attendees, including Secretary-Elect G. Wayne Clough, and expressed his appreciation for previous evening's dinner at the National Museum of African Art and tours of the Arts and Industries Building and the Ripley Garden. Also that evening, Acting Secretary Cristián Samper was made the first recipient of the Regents' Gold Medal for Exceptional Service in recognition of his dedicated leadership of the Institution during this challenging period of transition. The Board again expressed its deep gratitude to Dr. Samper with an extended period of applause.

APPROVAL OF THE MINUTES OF THE JANUARY 28, 2008, MEETING AND THE RESOLUTION OF THE MARCH 14, 2008, EXECUTIVE SESSION

The Regents voted to approve the minutes of the January 28, 2008, Board of Regents' meeting and the summary of the resolution approved during the March 14, 2008, executive session.

See attached Resolution 2008.5.01 (Minutes of the Board of Regents, Appendix A).

REPORT OF THE CHAIR

Board Chair Roger Sant reported that since the Regents' last meeting on January 28, 2008, he had met with 18 of the Institution's advisory board chairs and 11 museum, research, and program directors. This initiative was undertaken in an effort to support their engagement with the Institution and to better understand how they function, as well as their interests and needs.

Mr. Sant said that he drew three overarching conclusions from the meetings. In their desire to have a more robust relationship with the Institution, the Smithsonian's advisory boards believe that they should participate in the evaluation of their directors, have a role in the programmatic decisions of their units, and be better informed about their units' budgets. Mr. Sant said that the Office of External Affairs will present a more comprehensive plan to address these concerns and better engage these important Smithsonian stakeholders at the September 2008 Regents' meeting.

Mr. Sant said that Phillip Frost, the chair of the Regents' Audit and Review Committee, would later address an issue of great concern to the Institution: the ongoing shortage of qualified accounting staff. Mr. Sant said that the Washington job market has been especially impacted by the dearth of seasoned accountants and that the Institution's ability to properly conduct its financial controls, close its books, complete its audits, and address sufficient deficiencies has been sorely tested. He added that, as one of the recommendations of the Governance Committee, this issue is taking the longest to complete and that he has instituted weekly phone conferences with Dr. Clough to discuss, among other things, this critical issue. Mr. Sant also noted that, upon Dr. Frost's request, Dr. Frost will transfer to another Regents' committee and that newly appointed Regent John McCarter will assume the chairmanship of the Audit and Review Committee.

Mr. Sant then directed the Regents' attention to a proposed schedule of meetings for the remainder of calendar year 2008 and calendar year 2009. The proposed dates were vetted by the Chief Justice. Mr. Sant said that the proposed November 2008 meeting, which had been considered as an opportune time to conduct a public Regents' meeting, has proven to be problematic to schedule, primarily because of the Presidential election and Congressional recess. He reminded the Regents that the June 2008 meeting had been cancelled because Congress will be out of session and asked the Regents to consider the proposed schedule and provide feedback as soon as possible.

The Board's opinion was then sought regarding the use of teleconferencing to conduct meetings of the Board of Regents. The Regents agreed that the Board will continue its tradition of conducting in-person meetings, with the exception of Senator Dodd, who previously had received permission to participate via phone conference in the day's afternoon proceedings. Mr. Sant also said that a

discussion would be held at a later date regarding the viability of continuing the Sunday night Regents' dinner that precedes each meeting.

In response to Mr. Sant's report, Patricia Stonesifer expressed the Board's appreciation for the outreach activities initiated by Mr. Sant to the Institution's advisory boards and unit leadership. It was agreed that Mr. Sant's overtures had improved the dialogue and cooperation with and between these important parties. It also was noted that Mr. Sant has committed to working in the Castle one day per week; this has provided opportunities to understand the Institution from a less-structured, but informative, perspective.

REPORT OF THE ACTING SECRETARY

Acting Secretary Cristián Samper next provided an overview of activities at the Institution since the January Regents' meeting, noting that the Smithsonian was in good financial condition at fiscal mid-year. Combined attendance across the Institution was over 8 million between October 2007 and March 2008, a two-percent increase from the previous year. The National Air and Space Museum has seen a substantial increase in its number of visitors, but other facilities have experienced declines. He spoke of a number of exhibitions that have engaged the Smithsonian's visitors, such as the Hirshhorn Museum and Sculpture Garden's *The Cinema Effect*. He noted that the National Museum of Natural History's Butterfly Pavilion has been at nearly 100 percent occupancy since its February 14, 2008, opening and that the implementation of admission fees, which are necessary to fund the ongoing upkeep of the exhibition, had been accepted by the public.

Dr. Samper spoke of the ongoing progress in the Institution's management and storage of its collections. He said that the National Board's recent visit to the newly completed Pod 5 at the Museum Support Center in Suitland, Maryland, was very successful. The \$45 million project has already received about half of the collections designated for storage at the facility, including all of the fish collections from the National Museum of Natural History. The Institution also is on track to complete the move of its collections housed in alcohol by the end of the calendar year, a significant accomplishment that represents the successful storage of about 20 percent of the Smithsonian's entire collections.

Beginning in October 2008, a newly leased facility in Landover, Maryland, will house collections from the National Museum of American History, the Smithsonian Institution Libraries, and the Office of Exhibits Central; Dr. Samper noted that the facility is on track with its renovations. He also said that the Institution anticipates that it soon will be out of its lease for the 1111 North Capitol Street facility in Washington and that some of those collections will be moved into a brand new state-of-the-art facility. He added that a critical component of the Smithsonian's management of its collections—digitization—would be discussed at length during the morning's presentation by Chief Information Officer Ann Speyer.

Reports on the Institution's fund-raising initiatives also were positive. The Institution's goal for fiscal year 2008 was \$115 million, of which \$68 million had been pledged within the first six months. Dr. Samper expressed the Institution's gratitude for the Boeing Company's \$5 million gift for the planning of the new National Museum of African American History and Culture. He also noted that former advisory board member Elizabeth MacMillan, the previously anonymous donor for the director's endowment for the National Museum of American History (the second endowed directorship at the Smithsonian), had agreed to make her gift public.

Dr. Samper also noted that the Institution was in the final stage of securing a \$15 million gift for the Ocean Hall at the National Museum of Natural History. He added that the Regents would soon receive an electronic ballot to approve the proposed gift.

Regarding the status of the Institution's Federal budget, Dr. Samper reminded the Regents that the President had submitted the 2009 Federal budget for the Institution since the last meeting of the Board of Regents. Noting that the overall five percent increase for the Smithsonian is a positive outcome, he noted his intention to request additional Federal appropriations to address the Office of Management and Budget's \$11 million proposed cut in funding for programs. He noted his impression that the overall tone of the relations with Congress has improved, as evidenced by the Institution's recent hearings on the Hill, and thanked the Congressional Regents for their ongoing support.

Dr. Samper next reported on the success of the recent meeting of the James Smithson Society, the Smithsonian's group of top-tier donors and contributing members, noting the members' general enthusiasm for the Institution. There was overlap between the meetings of the National Board and the James Smithson Society, and Dr. Samper said that both groups favorably commented on their meetings with representatives of the Board of Regents. He noted that he also had met with chairs of various advisory boards and shared the conviction that they are an underutilized asset of the Institution. Echoing Mr. Sant's comments, Dr. Samper noted that a number of participants in each of these meetings had commented that it had been their first introduction to a Smithsonian Regent.

Dr. Samper next addressed some of the challenges recently encountered by the Smithsonian, notably the recent, and unexpected, closing of the distributor for the Smithsonian Catalog, which is part of Smithsonian Business Ventures (SBV). He explained that the West Virginia-based company closed its doors without notice because of financial difficulties unrelated to the Smithsonian, suspending the distribution of Smithsonian Catalog merchandise and that of other nationally recognized organizations, such as the National Wildlife Federation. Significant efforts continue to be made to access some \$6 million worth of merchandise and legal recourse is being considered. Dr. Samper noted that Tom Ott, the Acting CEO of SBV, has been directing efforts to find another distributor and resolve this problem by the end of the summer but anticipates that the net impact of this event at year end will be a loss of about \$2 million.

In response to a question, Dr. Samper asked Mr. Ott to provide more detail regarding this situation. Mr. Ott explained that the sudden cessation of operations had been without warning but reported success in the efforts to seek another distributor. Mr. Ott said that SBV anticipated that a decision regarding a replacement firm was imminent and that SBV hoped to be able to receive orders in-house by July and distribute catalogs in August.

The Regents then discussed the possible benefit of conducting this business in-house. Mr. Ott noted that prior analyses had proven such arrangements to be uneconomical for the Institution but said that third-party licensing options were being considered. Dr. Samper said that the overall low profitability of the catalog venture may warrant reconsideration of its viability, adding that this issue had been considered in the January 2008 report of the Smithsonian Business Ventures Task Force.

Dr. Samper said that the resolution of this current challenge may likely determine the future of the Smithsonian Catalog and assured the Regents that this situation is being closely monitored.

Like Mr. Sant, Dr. Samper also spoke of the Institution's ongoing challenge in recruiting experienced accountants and, in particular, those who deal with audits. He described the considerable efforts to strengthen the pipeline of people and the number of applicants, as well as the speed with which they can be recruited. Nevertheless, there remain about eight vacancies directly related to the operational side of the audit; filling these positions will be vital to addressing some of the deficiencies that were found in the Institution's audit. He noted that competing private-sector salaries remain the biggest challenge to this initiative.

Dr. Samper then notified the Board of anticipated delays in the reopening of the National Museum of American History. The public reopening has now been set for November 2008, although the exact date is not yet confirmed. Dr. Samper explained that the delays are largely the result of the unexpectedly high levels of asbestos and lead paint that required remediation. Dr. Samper noted that the reintroduction of natural light will entirely change the look and feel of the building's interior, as well as its navigability, and that the display of the Star-Spangled Banner will be breathtaking. He also said that some of the Museum's new permanent exhibitions will be completed in the next phase of the project over the course of the coming years and that, until they are funded, the prior exhibitions will remain in place.

Dr. Samper next revisited five priorities that he had presented to the Regents at their January 2008 meeting. These issues have largely been the focus of his energies this calendar year and include the reform of the Smithsonian's governance, the future of the Arts and Industries Building, the restructuring of Smithsonian Business Ventures, the Federal budget, and transitions in the Institution's leadership. He added that effecting a smooth transition for Secretary-Elect Clough is an overarching priority.

Regarding governance reform, Dr. Samper said that the Institution has made substantial progress on the implementation of the recommendations of the Governance Committee. He added that a more detailed progress report would be given during the report of the Governance and Nominating

Committee. Although a few issues will take the rest of the year to complete, he cited the significant progress that has been made in the reform of numerous initiatives, including Smithsonian's communications, contracting, and budget processes. He also said that a comprehensive report on the future of the Arts and Industries Building would be presented to the Regents during the afternoon session of the meeting, noting that the Smithsonian had completed both a Request for Qualifications process and an internal survey of proposed options for the historic building.

Dr. Samper reported that the restructuring, reorganizing, and renaming of Smithsonian Business Ventures (SBV) had been initiated, a transition team had been formed, and a Strategic Advisory Group was about to be appointed that will guide Business Ventures' future progress. It is anticipated that most of the structural reforms of SBV will be effected by July 2008 and new revenue-sharing formulas will be implemented on October 1, 2008, the beginning of fiscal year 2009.

The Federal budget remains a considerable point of focus for the Institution. Dr. Samper again noted that the fiscal year 2009 Federal budget was essentially favorable, although the Institution will continue to work through issues related to shortfalls in funding for programs. He said that this Regents' meeting would include a discussion of fiscal year 2010 Federal budget priorities, which have been the subject of extensive and ongoing review and collaboration between Drs. Samper and Clough.

Dr. Samper next commented on the Institution's transitions in leadership which, in addition to the pending installation of Dr. Clough, have included both recent and anticipated changes in senior management. He noted that, in a concerted effort to stabilize the Institution's leadership, he and Dr. Clough have been in regular communication about this critical issue. Leadership changes noted included the decision by former Acting Under Secretary for Science Ira Rubinoff to return to the Smithsonian Tropical Research Institute in Panama, leaving a vacancy that will be filled on an interim basis by Smithsonian Astrophysical Observatory Director Charles Alcock. He also noted that General Counsel John Huerta has announced his forthcoming retirement in September 2008. Dr. Samper again noted that he and Dr. Clough have collaborated on the launch of a national search for the next General Counsel of the Institution.

Looking forward, Dr. Samper highlighted several critical issues that will be immediately transferred to Dr. Clough, including the development of a new strategic plan for the Institution and the launch of a national fund-raising campaign. Dr. Samper noted the tremendous progress that has been made to address the Smithsonian's aging facilities but emphasized the need to better balance the investment in the Institution's facilities with the investment in the scholarship and intellectual capital of the Smithsonian. He noted that the ongoing erosion of the Federal funding base for salaries and expenses was having an impact on the staffing for research, collections, and education. As older staff will be retiring in coming years, it is essential to invest in recruiting and training staff for these positions.

Dr. Samper also commented on the ongoing need to support and continually improve upon the Institution's communications, both within itself and to key outside stakeholders, such as the Congress. As was noted previously, Dr. Samper commented on the significant number of unit directors and advisory board members who said that they had never, prior to the last year, met a Smithsonian Regent, something that should never again occur. He also expressed his appreciation for the progress that had been made to overcome this historical communications shortfall.

Noting that this was his final meeting as the Acting Secretary of the Smithsonian, Dr. Samper then thanked Mr. Sant and the entire Board of Regents for their trust and for the opportunity to have served in this leadership capacity for the prior 15 months. He noted that, in addition to the tremendous learning opportunities that this situation has afforded, he has been impressed by the level of engagement from the Board of Regents and expressed his deep appreciation for these leaders who have volunteered copious amounts of time and resources to the Institution. He also expressed his deep gratitude for the contributions and dedication of the staff, including the members of senior management who have helped guide the Institution through a defining period of transition.

Dr. Samper closed his remarks by expressing his confidence in and respect for Secretary-Elect Wayne Clough and offered his ongoing support for the next Secretary of the Smithsonian.

In response to a question, Dr. Samper then commented on the status of the National Orchid Collection, which is one of the best collections of orchids in the United States. As discussed by the

Regents in a prior meeting, the housing of the orchid collection must change because the Armed Forces Retirement Home, from which the Institution leases the property, has completed a master plan includes the redevelopment of the parcel leased by the Institution. Dr. Samper said that the approval for Federal funds for the construction of new greenhouse facilities had been passed by the House but was still pending in the Senate because of procedural impediments. He then asked for the Congressional Regents' support to advance the enactment of the bill.

REPORT OF THE EXECUTIVE COMMITTEE

Mr. Sant said that, since the January 28, 2008, Board of Regents' meeting, the Executive Committee had met twice at the Supreme Court with the Chief Justice. He added that a more detailed report could be found in the Regents' agenda books.

The Report of the Executive Committee is included in the May 5, 2008, Minutes of the Board of Regents, Appendix B, page 4.

REPORT OF THE SMITHSONIAN NATIONAL BOARD

Smithsonian National Board Chair Hacker Caldwell reported on the activities of the National Board, which had conducted its spring 2008 meeting the previous weekend. He said that the National Board had expressed its enthusiasm about the selection of G. Wayne Clough as the 12th Smithsonian Secretary and the resolution of many of the problems encountered by the Institution over the past 15 months.

Mr. Caldwell said that the National Board's committee meetings have been productive. The Science Committee, for example, had a behind-the-scenes tour of the National Zoo that included introductions to the Zoo's research (such as that done on artificial insemination, Avian Flu, and West Nile Virus) and rare collection species (such as the Ivory-billed Woodpecker). National Board members learned more about the science and research that is conducted on the Smithsonian's collections during a day trip to Suitland, Maryland, where they visited the National Museum of the American Indian's Cultural Resources Center and the newly opened Pod 5 at the Museum Support Center (MRC). Members were especially impressed by a giant coelacanth caught in 1938 that is

stored at the MRC for research purposes, as well as an introduction to DNA sequencing research that is being conducted at that facility.

Mr. Caldwell noted that the National Board is on target with its goals, including raising \$1 million in unrestricted giving from its members. He reported that the National Board continues to do extensive outreach in members' communities, advocate for the Smithsonian in those communities, and raise resources for the Smithsonian.

As previously noted by both Mr. Sant and Dr. Samper, Mr. Caldwell reported that National Board members have been extremely enthusiastic about their recent interactions with members of the Board of Regents and the Acting Secretary. Mr. Caldwell added that the last meeting of the National Board also offered the opportunity for National Board members to express their heartfelt appreciation to Dr. Samper for his enormous contributions over the last 15 months.

In conjunction with a motion subsequently proposed to appoint or reappoint members to specific advisory boards, the Regents approved the appointment of six new members to the Smithsonian National Board.

See attached Resolution 2008.5.02 (Minutes of the Board of Regents, Appendix A).

The Report of the Smithsonian National Board is included in the May 5, 2008, Minutes of the Board of Regents, Appendix B, page 8.

PROPOSED APPOINTMENTS TO SMITHSONIAN ADVISORY BOARDS

The Regents approved a series of nominations for appointments and reappointments to seven Smithsonian advisory boards.

See attached Resolutions 2008.5.03 – 2008.5.09 (Minutes of the Board of Regents, Appendix A).

Biographies of newly appointed advisory board members and the new membership rosters of the advisory boards are included in the May 5, 2008, Minutes of the Board of Regents, Appendix B, page 12.

CREATING A DIGITAL SMITHSONIAN: THE REPORT OF THE DIGITIZATION STEERING COMMITTEE

Acting Secretary Samper introduced Chief Information Officer Ann Speyer, noting the importance of this program with regard to safeguarding the Institution's collections and history while ensuring its relevance to and remote access by future visitors, researchers, and other key stakeholders committed to the increase and diffusion of knowledge.

Dr. Samper said that Ms. Speyer joined the Institution in 2005 after a successful career in both the private and public sectors. He added that, since her arrival, she has conducted a thorough review of the role of the chief information officer; overseen the startup of the Institution's information center in Herndon, Virginia; co-located and provided backup for the hundreds of Smithsonian servers; implemented wireless Internet access around the Smithsonian; and overseen the Smithsonian-wide digitization planning effort.

Dr. Samper explained that a pan-institutional Digitization Steering Committee was formed in 2006 to assess the status of digitization activities throughout the Institution. The Committee found that while many Smithsonian units have pursued the digitization of their assets, these efforts have not been coordinated — thereby limiting the potential impact of the digitization of the Smithsonian's research and collections. Dr. Samper added that effective digitization of the Institution's assets, and their subsequent dissemination, will require significant resources which will be reflected in the fiscal year 2010 Federal budget request.

Ms. Speyer thanked the Regents for the opportunity to discuss a vision for creating a digital Smithsonian, a multifaceted and complex project that will allow unprecedented access to both the collections and the extraordinary work of Smithsonian researchers and curators. She emphasized that digitization is a rare program in its ability to equally support both parts of the Smithsonian's mission: the increase and diffusion of knowledge. She added that the next decade will be critical to the successful implementation of this program.

Ms. Speyer offered a PowerPoint-supported presentation on the vision of creating a digital Smithsonian focused around digitization. Digitization is the capturing of an image, sound, video, or

other data in bits and bytes, along with the information that describes the digital asset. It includes both creating a digital surrogate, such as that of a physical collection object, and also digital assets that have been created in digital format, such as many of the research data sets captured across the Institution.

The Smithsonian's websites currently attract nearly 189 million virtual visitors, a number that is nearly eight times the 24 million physical visitors who visited the Institution's museums and research units in 2007. Ms. Speyer said that the Institution has at least 268 digitization projects under way that are funded primarily with non-Federal funds. She cited a number of important examples, including Smithsonian Libraries' contributions of digital images to the Biodiversity Heritage Library; the Archives of American Art's digitization project, which received a \$3.6 million grant from the Terra Foundation to support the digitization of its collection; the National Museum of Natural History's Botany Division's imaging of 200,000 type specimens of its five-million-item collection (which resulted in an 80-percent decrease in the number of specimens that have to be sent out via mail); and Natural History's Entomology Division's creation of 6,000 high-resolution images of each of their species' original type, which will be available to the public through the Natural History website and that of the Encyclopedia of Life, to name a few. She reminded the Regents that digitization includes more than images, as other data sets, such as those from the Chandra X-Ray Observatory and video and audio files (that can range from oral histories to frog vocalization).

Ms. Speyer explained that the act of digitizing a unit's assets is the least complicated part of a digitization program; the strategic management of digital content is the most challenging aspect of a long-term, integrated digitization program. She then discussed the urgency of this program, citing the demographic changes seen in the visitors to the Smithsonian. In the past, visits to the museums and research centers were made through points of physical contact. Today many "Internet natives," those who have used Internet technology their whole life, choose to access and process information differently from past visitors to the Institution. Ms. Speyer added that the Gartner Group estimates that 80 percent of active Internet users today will be in virtual worlds by the year 2011, noting that such trends are the impetus behind such pilot programs as the Smithsonian Latino Center's upcoming Latino Virtual Museum in Second Life.

Ms. Speyer outlined the activities of the Digitization Steering Committee, which she chairs. The Committee conducted an internal survey; held conferences with industry experts; offered a number of workshops; and hosted a digitization fair to encourage Smithsonian staff to share information about their units' digitization projects. Conducted in an inclusive, transparent fashion, the Committee's efforts resulted in a report (which was provided to the Regents) that identified specific recommendations for the successful, pan-institutional implementation of digitization at the Smithsonian.

Ms. Speyer then spoke to three of the critical challenges that surfaced during these activities. The first was that, although the Institution has created moments of digitization excellence, digitization efforts have been driven largely by opportunity and resulted in "random acts of digitization." Digitization efforts to date have not been conducted under a clearly defined strategy but rather have occurred opportunistically, resulting in digital "silos" that can't support the full potential of those assets.

A second issue that challenges digitization is the creation and implementation of digital standards across the Institution to ensure a common language, a common framework, and common access. Equally important will be the establishment of common counting rules for measuring the Institution's progress in digitization.

A third, overarching challenge that faces all digitization efforts is the need for long-term digital preservation to ensure that digital assets created today can be viewed or heard in both the near and distant future. Ms. Speyer reminded the Regents that, just as the Institution must preserve its physical collections, it also must preserve, as technology advances, its digital assets from one file type to another and from one type of storage device to another. She added that these digital files also must be tested periodically to assure their ongoing readability.

Ms. Speyer next said that the Institution, which is in the infancy stage of creating a digital Smithsonian, must develop a digitization strategic plan, one of the key recommendations of the Digitization Steering Committee. She added that a strategic planning process will be launched on May 27, 2008, with the support of a 15 member pan-Institutional committee. The plan is intended to

identify what the Institution's stakeholders want with regard to digitized information and access, develop a set of overarching criteria and guidelines regarding the prioritization of collections and research to be digitized, and articulate standard protocols for digitization.

Ms. Speyer noted that the Institution had 136.9 million objects in its collections in 2007, of which only 10% had digital records and, of those, only 821,000 digital images existed in collection information systems. She also pointed out that the Institution is increasingly collecting digital files for items with no physical object, such as datasets, research, digital photography, and audio sound. Digital from inception, these objects also need to be developed and maintained using established standards.

Ms. Speyer also spoke of a very important, and often forgotten, step in a digitization program: the time spent by curators, researchers, and museum specialists to research and enter the information that makes digital assets meaningful. She reminded the Regents that digitization technology merely houses and provides access to these assets; the quality of the Institution's digital resources will be determined by the investment of staff (and funding) for the units who will digitize and curate their digital assets. She also noted the successful use of "folksonomy" by the National Postal Museum, which supports the efforts of citizen philatelists to enter descriptive data about the digital images of stamps through the online Arago website for later vetting by museum curators.

Progress to date includes the formation of a one-person Central Digitization Office that will lead the digitization strategic planning effort, as well as serve as an informational focal point for digitization across the Institution. Momentum also has been demonstrated in the drafting of a standardized sharing and use policy for all of the Institution's digital assets (including fees), which is being shaped by input from voluntary survey responses received from more than 600 Smithsonian employees.

Ms. Speyer also addressed the need to build information technology systems to house and provide access to the digital Smithsonian. Ms. Speyer then presented a planned approach to overcome the technological obstacles that challenge the successful sharing of digital assets from the Institution's websites. Currently the Smithsonian has 14 different major collection information systems (CIS)

that are not integrated with each other. In the near future, digital assets, including preservation-quality images, sound, and video, will need to be stored and managed in an archival Digital Asset Management System (DAM), which will be linked to that digital asset's system of record, or CIS, where curators maintain information about each digital asset. The critical link between the DAM and CIS systems will prevent the need to store the same file over and over again.

To make this valuable knowledge available to the both public and to colleagues, the Smithsonian's information technology systems must allow, from one port of entry, searches across all of the Institution's collections that are not compromised by a federated organizational structure. This spring the Institution will begin building such a capability with a new pilot initiative called EDAN — the Enterprise Digital Asset Network. Working together, the Smithsonian Photography Initiative (SPI) and OCIO received a \$300,000 grant from the Getty Foundation for this pilot, which will include a content-driven online exhibit. The pilot will develop the basic EDAN layer, including integrating it with the DAM and archival storage, for images. Although the scope of this pilot is limited to only one of the Institution's collection information systems — images — additional funding will allow its expansion to include other collection information systems, such as digital video and audio files.

EDAN also will allow units to create and provide multiple views and ways for broad audiences to access the Institution's digital assets, whether it be through a website, kiosk, cell phone, educational game, or ipod. Ms. Speyer said that, under her direction, the Office of the Chief Information Officer will continue its efforts to develop smarter, integrated information systems that avoid the creation of more information silos. In addition to increasing access to the Institution's digital content, the application of EDAN will prevent wasting expensive storage, which occurs when websites and online exhibits must copy a digital asset in order to use it. More importantly, the use of EDAN will ensure that a digital asset remains connected to its system of record (CIS), which is where a curator maintains the information that describes the digital asset.

Ms. Speyer stressed the need for both Federal and private funds to keep the digitization momentum going and to achieve the goal of a digital Smithsonian. She noted that the fiscal year 2010 Federal

budget request includes funding for developing both the technological and procedural foundation for a digital Smithsonian in advance of a completed digitization strategic plan.

Ms. Speyer offered to return to update the Regents on the digitization strategic planning process, as well as the complementary emerging Web and New Media Strategy that will be critical to the delivery of a digital Smithsonian. She closed her presentation by noting that the practices of scholarship are changing in profound and wide-reaching ways, supported by technology that can connect people across organizations and researchers to data collection devices. Ms. Speyer quoted a remark made in 1852 by the Smithsonian's first Secretary, Joseph Henry: "The worth and importance of the Institution is not to be estimated by what it accumulates within the walls of its buildings, but by what it sends forth to the world." She added that, if he were alive today, Secretary Henry would certainly look for ways to use the Internet and its Web technologies to get the Institution's collections and knowledge out of its buildings and into the world at large.

The Regents expressed their enthusiasm for both the digitization program and Ms. Speyer's presentation. The program's potential for profound global impact particularly resonated with the Board. It also was suggested that the scope of the program could be especially appealing to those who might fund such an effort.

Dr. Jackson commented on the linkage between digital assets and curatorial activities, noting that information sources such as MySpace and Facebook lack credibility filters. A digital Smithsonian, on the other hand, can provide credible knowledge resources. She noted that the distinction between information and knowledge should be emphasized when the Institution makes its case for funding this program.

Dr. Jackson also noted that the digitization program may possess implications with regard to operational efficiencies. She commented on the impact of technology migrations on digitally archived materials, noting that not only the records but also the machines able to access those files would need to be archived. The implications on collections staffing, training, and responsibilities could be profound. Ms. Speyer added that the issues facing the creation of a digital Smithsonian represent a microcosm of a more universal problem.

The Regents agreed that the scope and importance of the digitization program warranted its inclusion in both the forthcoming Strategic Plan and capital campaign. Dr. Clough added that the realization of a digital Smithsonian also represents the opportunity to bring the Smithsonian to the world, to dramatically advance scientific research, and to disseminate the Smithsonian brand. Mr. Spoon said that the Institution must aggressively move forward its digitization program; deal with changing notions of tagging, metadata, and brand association with data; and adapt the way that the Institution meets the future while maintaining the honor and respectability of its past.

Mr. Spoon pointed out that the Smithsonian will face a significant human capital challenge with regard to this program. He also said that it presents a fascinating challenge with regard to implementing from the established center while cultivating creative sponsorship by younger Internet natives. Ms. Speyer emphasized that the success of such actions over the next decade will be critical to maintaining the Smithsonian's relevance to future generations.

The report of the Digitization Steering Committee, an update on the Committee's progress, and the March 2007 Digitization report are included in the May 5, 2008, Minutes of the Board of Regents, Appendix B, page 21.

PROPOSED ENDOWMENT AND DONOR RECOGNITION ACTIONS

The Regents considered eight papers representing endowment and donor recognition actions. The proposed motions subsequently were approved by the Regents.

See attached Resolutions 2008.5.10 – 2008.5.17 (Minutes of the Board of Regents, Appendix A).

The proposed endowments and donor recognition and corporate gift opportunities are included in the May 5, 2008, Minutes of the Board of Regents, Appendix B, page 63.

UPDATE ON SMITHSONIAN-RELATED ACTIONS BY THE GOVERNMENT ACCOUNTABILITY OFFICE

Office of Government Relations Director Nell Payne reported that the anticipated publication date for the Government Accountability Office's (GAO) report on the Smithsonian's governance is May 15, 2008. She added that the Smithsonian had received informal notice that the Senate Committee

on Rules Administration will probably call a hearing on the report in late July or early August 2008 and that, at this time, it is likely that both Secretary Clough and Roger Sant will be asked to testify.

Ms. Payne said that a draft of the report had been reviewed by the Smithsonian, that management feels that the overall report is very good, and that a response was being prepared. It is anticipated that the report also will be well-received by the Congress, as GAO credits the Institution for the substantial progress it has made to address its governance issues. She noted that the report also includes four recommendations for the Board of Regents. It suggested that the Board establish a public and transparent process for receiving and responding to stakeholder concerns; adopt a robust policy for the selection and use of non-citizen Regents in the Institution's core operations; consider actions the Board could take in the event of a Regent's persistent neglect of duties; and, in approximately five years, conduct a review of implemented reforms to ascertain if such actions have been sufficient. In response to a question, Ms. Payne said that it is quite possible that the final GAO report will include information about governance-related actions considered and approved during this meeting of the Board of Regents.

A copy of the report on Smithsonian-related actions by the Government Accountability Office is included in the May 5, 2008, Minutes of the Board of Regents, Appendix B, page 75.

LEGISLATIVE ACTIVITIES AND ISSUES

Ms. Payne next reported on Smithsonian-related legislation. She reported that the current focus of the Smithsonian's legislative concerns is the enactment of pending construction authorizations. As previously discussed, the House passed the Smithsonian greenhouse authorization, which is now pending in the Senate. Ms. Payne said that she had been working closely with the Congressional liaisons to secure the introduction of three remaining construction authorizations: one for the replacement and expansion of lab and office buildings at the Smithsonian Tropical Research Institute in Panama; a second for the new lab and office space at the Environmental Research Center in Edgewater, Maryland; and a third for a technical amendment for the location of the VERITAS telescope array in Arizona. She added that addressing the impediments to the greenhouse authorization bill will likely make the enactment of the remaining authorizations substantially easier.

Ms. Payne also updated the Board on three legislative activities that had occurred since the distribution of the Regents' agenda books. She said that the Latino Museum Commission bill had been enacted; the creation of a commission to commemorate the explorations of Hudson and Champlain, which requires the cooperation of the Institution, had been enacted; and a bill to enhance the independence and support of the system of the Inspectors General was heading for completion.

The report on Smithsonian-related legislative activities and issues is included in the May 5, 2008, Minutes of the Board of Regents, Appendix B, page 79.

REPORT OF THE GENERAL COUNSEL

Prior to inviting General Counsel John Huerta to deliver his report, Mr. Sant expressed the appreciation of the Board of Regents for Mr. Huerta's 13 years of service to the Institution. Mr. Huerta, who will retire in September 2008, thanked the Regents for the privilege of working with them and serving the Institution.

Mr. Huerta then presented an update on a revised indemnification policy that had been drafted by the Office of the General Counsel. The draft policy was reviewed during the last meeting of the Governance and Nominating Committee, whose comments are being incorporated into a revised draft. Mr. Huerta said that he anticipated that the Office of the General Counsel would present a final draft of the revised indemnification policy to the full Board at its September 2008 meeting. In order to provide a better framework of that discussion, Mr. Huerta then presented a report on the potential liability of the individual members of the Board of Regents.

Mr. Huerta said that as an instrumentality of the United States, the Smithsonian Institution received sovereign immunity and therefore receives numerous Federal protections. The Institution, its governing Board of Regents, and its employees are largely protected by governmental immunity in the conduct of official duties and actions. The Federal government has waived its sovereign immunity in certain circumstances. For example, tort claims for negligence on the part of the Institution are exempted from sovereign immunity, and approximately 50 tort claims are handled administratively by the Office of General Counsel each year. Mr. Huerta reported that

approximately two or three claims go to litigation in the Federal court system each year, but most are settled. He added that the Institution has lost one major tort claim in the last 13 years and that compensation was paid out of the U.S. Treasury Judgment Fund.

Of significance to the Board of Regents, advisory board members, and employees is the fact that this coverage includes issues related to personal liability; i.e., individuals acting within the course and scope of their duties will not be held individually liable when acting in good faith. In the area of contracts and copyright claims, Mr. Huerta said that the Federal government has waived liability and that individuals may proceed against the United States. The Institution has obtained decisions holding that the Smithsonian, as part of the United States, may be sued for breach of contract or copyright infringement, but individual employees are protected from liability. Regarding employment matters, Mr. Huerta explained that claims of discrimination are filed against the Institution, not individuals, although typically the head of an entity is named as a procedural matter. He made clear that individual Regents, advisory board members, and employees bear no personal liability, even if the Institution were to lose a case. Additionally, the Institution's Directors and Officer's (D&O) Insurance Policy provides additional coverage from potential suits brought by third parties against directors (Regents), officers, and employees, as well as for decisions they may make while carrying out their official Smithsonian duties.

Mr. Huerta said that one potential gap in insurance liability coverage exists with regard to cases where a formal indictment is made, as costs incurred prior to indictment would not be covered by the D&O policy. He added that he was unaware of any claims that ever had been made against an individual Regent or even of a claim filed by the Institution under the D&O Policy at any time in the Institution's history. Mr. Huerta added that the Institution has won an overwhelming number of tort, employment, and copyright claims cases brought against it, and that, if a matter is settled prior to the filing of a claim in Federal court, compensation is made out of Trust or appropriated funds; if settled after filing in Federal court, payment is made from the Judgment Fund.

In response to a question regarding the insurance premium costs paid by the Institution, Mr. Huerta said that the insurance is sent out for a bid through the Institution's broker every three years with the

intention of obtaining the lowest possible price. He said that the Office of the Treasurer handles the insurance premium payments and that additional information would be provided.

Another Regent asked for clarification regarding the type or definition of “investigation” with regard to coverage under the indemnification. Mr. Huerta responded that the Office of the General Counsel and the Governance and Nominating Committee are working to clarify the intended meaning of that language and that the draft indemnification policy now excludes matters brought by the Inspector General as part of an administrative review process, but does not exclude matters that are part of a criminal investigation.

The Report of the General Counsel is included in the May 5, 2008, Minutes of the Board of Regents, Appendix B, page 83.

REPORT OF THE AUDIT AND REVIEW COMMITTEE

Audit and Review Committee Chair Phillip Frost presented the report of the Committee. Dr. Frost said that the Committee had met twice since the last Regents’ meeting. On March 3, 2008, the Committee reviewed the completed audit of the Institution’s fiscal year 2007 financial statements with senior management, the Smithsonian’s external auditors, and the Inspector General; on April 16, 2008, the Committee primarily focused on the open issues identified during the conduct of the audit. He then gave a more detailed overview of both meetings.

The Institution’s fiscal year 2007 financial audit was completed on time on February 15, at which time the Institution’s external auditors, KPMG, issued an unqualified audit opinion and with no material weaknesses indicated. During the Committee’s meeting on March 3, the Comptroller presented an overview and highlights of the audit process and financial results, as reflected in the audited financial statements, after which representatives from KPMG, as part of their responsibilities as the Institution’s auditors, reviewed the financial statement audit and made the required communications to the Committee.

KPMG informed the Committee that there were nine proposed audit adjustments that resulted in a net increase to net assets of \$231,500 and that there were no disagreements with management

on financial accounting and reporting matters. Also noted was an improvement in a critical audit area concerning recordkeeping by the Office of Investments, an area that had been of considerable concern during the previous year's audit.

KPMG also noted seven "significant deficiencies." Dr. Frost explained that "significant deficiency" is the new classification that the auditors are required to use for any comment that is less serious than a material weakness, but more significant than a mere observation. The first significant deficiency concerns the adequacy of the staffing in the Office of the Comptroller, which also had been noted last year. The other deficiencies are all largely of a technical nature and indicate the critical need for more documentation and better process on the part of the Institution.

Dr. Frost said that the Comptroller has committed to resolving each of the items noted by KPMG. The Committee also expressed considerable displeasure that the problem of inadequate staff resources in the Office of the Comptroller had yet to be resolved and, in light of KPMG's findings, devoted most of its discussions during the April 16 meeting to this topic, as well as management's plans to address each of the open audit issues identified by KPMG.

During its meeting on March 3, the Committee also heard from the Inspector General (IG), as her office had managed the audit contract and performed an Audit Quality Assurance Review. The IG indicated that her staff was pleased with the improvements in the conduct of the audit this year and noted that there had been better communication between management and KPMG. She gave as evidence of better process the improved information provided by both Smithsonian Business Ventures and the Office of Investments. The IG, however, also was clear about the need for further improvement, as evidenced by KPMG's audit findings and, in response to discussions with the Committee, agreed to conduct a review of the Office of Development because of the large percentage of the Trust budget for which they are responsible.

Dr. Frost then provided the Regents with more information about the Committee's discussions during its April 16 meeting. As previously noted, the Committee and management discussed at length the plans for resolving the significant deficiencies identified by KPMG during the audit.

The Comptroller, in response to the Committee's request, presented a detailed Corrective Action Plan with milestones and planned completion dates that the Committee will use to monitor progress.

It was observed that, because of the complexity of the work to be done and staff limitations, some of the action completion dates extend beyond the end of this fiscal year. The Committee also expressed its concerns about the Institution's lack of written policies and procedures and continued inability to achieve a hard quarterly close of the books, noting that it will continue to monitor closely the Institution's progress in both of these areas.

The Committee spent most of the meeting reviewing the accountant staffing issue and recruitment efforts. The Comptroller reported that, counting routine staff vacancies together with the new audit accountant positions that management is trying to hire, there are now between 14 and 18 accountant vacancies, or 23% of the total approved office workforce. Seven of these accountant vacancies are new positions created to support the conduct of the audit. These positions must be filled to resolve the staff deficiencies noted in the open audit comment.

The Committee was reminded that the Smithsonian is not alone in its struggle to fill accountant positions, as the job market for accountants in the Washington area is reportedly the tightest in the nation with 40% of the accountant positions remaining vacant on an annual basis. In addition, the Institution is trying to fill mid-career, not entry-level, positions—an extremely competitive segment of the market.

The Committee talked at length about the options available to the Institution to improve hiring, including offering recruitment incentives, higher salaries, and alternatives to the Federal personnel rules that govern Federal hiring actions by converting these open positions to Trust-funded positions. The Committee was disappointed to learn that because of Federal personnel rules, the hiring process has been taking about 90 days and has been producing minimally qualified candidates who do not have the professional skill or experience the Institution is seeking. As a result, position vacancy announcements often have to be advertised multiple times.

The Committee agreed to give management time to implement some of the new incentives and approaches to hiring that recently have been put in place and to continue to pursue the full range of personnel hiring options now being explored. The Committee also counseled management not to lower employment standards in order to fill these positions and asked management for routine progress reports.

Dr. Frost then reported that the Committee also discussed the Institution's ongoing review of internal controls, which was initiated in response to Governance Reform Item #23. The Committee was told that 20 separate critical control processes will be assessed as part of the review, with Smithsonian employees leading the teams that are conducting it. To ensure that the internal controls review has credibility, management has engaged a consultant to assist with the review, which has delayed progress on this reform initiative. It also was noted that an unforeseen training requirement has resulted because of the number of non-financial Smithsonian staff participating in this review.

The Committee expressed its concern about the delay in completing this Governance Reform Item but understands the importance of having a credible process. It also asked management to provide interim reports until the review is complete.

Dr. Frost concluded his remarks by noting that, following the Committee's formal sessions on March 3 and April 16, it conducted several executive sessions, meeting twice with the Inspector General and once each with KPMG and the Chief Financial Officer (CFO). Regarding the Committee's discussions with the CFO, members talked at length about the adequacy of the resources available to the Office of the Chief Financial Officer. Following the April 16 meeting, the CFO also presented the Committee with a detailed resource analysis in response to Governance Reform Item #11. The Committee agreed that it would like the benefit of a third-party consultant before evaluating the action plan that accompanied that report and asked the CFO to engage a consultant for that purpose.

Mr. Sant made an additional comment to the report, noting that the Committee had to postpone a meeting scheduled for April 29 and that, following the approval of the revised membership of the

Committee, the meeting would be rescheduled. Dr. Frost was asked if inadequate compensation was the sole source of the Smithsonian's difficulty in hiring qualified accountants, or if low overall ability was the root of the problem. Dr. Frost expressed his opinion that the pay issue is critical, as the Institution is competing not only with other government agencies but with the private sector as well. He added that other government agencies are experiencing the same difficulties and that he was not especially optimistic about how it can be resolved.

Ms. Stonesifer, who also is a member of the Audit and Review Committee, was more confident about the eventual outcome of the Committee's recruitment efforts, stating that she believes that 80–90% of the shortfall could be addressed. Dr. Samper, who also has been closely monitoring the situation, agreed that significant challenges face this initiative. He noted that management has made the resolution of this problem a top priority and has focused its energies on developing effective pipelines to successfully attract qualified candidates.

Dr. Jackson then asked about a situation noted in the minutes of the Audit and Review Committee's meetings, wherein KPMG was accidentally engaged to do non-audit work for the Institution at the Smithsonian Tropical Research Institute (STRI) in Panama. It was explained that non-audit consultant support was required by STRI to sort out an issue concerning the Panamanian labor market and Panamanian law. The engagement of KPMG occurred during an electronic systems upgrade by KPMG that impacted the protective protocol that guards against potential conflicts. If a possible non-compliant engagement should arise, this process would alert KPMG and trigger the notification of the Audit and Review Committee. Dr. Jackson was assured that the situation was an anomaly and that both the Institution and KPMG possess safeguards to guard against the re-occurrence of such events.

The Audit and Review Committee Report, including the fiscal year 2007 financial statements by KPMG LLP, are included in the May 5, 2008, Minutes of the Board of Regents, Appendix B, page 86.

REQUEST FOR AUTHORITY TO LEASE SPACE FOR COOPER-HEWITT, NATIONAL DESIGN MUSEUM

Facilities Revitalization Committee Chair Robert Kogod was asked to direct the discussion of the proposed lease for Cooper-Hewitt, National Design Museum. The Museum is seeking storage and laboratory space for the relocation of its collections during its forthcoming renovation. Mr. Kogod predicated his remarks by noting that he was apprised of the proposed lease the prior week. Since that time, he had been in contact with all of the appropriate parties and had worked to achieve a contract with conditions more favorable to the Institution.

Mr. Kogod said that the preliminary approval of the Board was being sought to authorize the Executive Committee to make a final determination regarding the proposed lease. It was clarified that, going forward, the intention of the Committee is to review all facilities-related proposals over the \$10 million threshold prior to their presentation to the Board of Regents, as well as those over the \$5 million threshold that are subject to the approval of the Executive Committee. The Regents reviewed the proposed motion, which was included in the updated papers distributed that morning, and accordingly approved it.

See attached Resolution 2008.5.18 (Minutes of the Board of Regents, Appendix A).

The paper regarding the request for authority to lease space for Cooper-Hewitt, National Design Museum is included in the May 5, 2008, Minutes of the Board of Regents, Appendix B, page 133.

PROPOSED DEACCESSION OF THE NATIONAL AIR AND SPACE MUSEUM'S RB-17D *SWOOSE*

The Regents next considered the proposed deaccession of an unrestored RB-17D aircraft (the “*Swoose*”) from the collection of the National Air and Space Museum (NASM), where it has never been exhibited, to the National Museum of the United States Air Force (NMUSAF), where it will be restored and put on display. It is intended that, upon its complete restoration, a B-17G (the “*Shoo Shoo Shoo Baby*”) in the NMUSAF collection will be transferred to the collection of the Air and Space Museum, where it will be displayed at the Steven F. Udvar-Hazy Center in Dulles, Virginia. It was noted that, in addition to the *Swoose* aircraft’s incomplete state, the *Shoo Shoo*

Shoo Baby will be a more desirable addition to NASM collection because it had flown in the European theatre during World War II. The proposed deaccession was accordingly approved.

See attached Resolution 2008.5.19 (Minutes of the Board of Regents, Appendix A).

The paper regarding the proposed deaccession of the *Swoose* is included in the May 5, 2008, Minutes of the Board of Regents, Appendix B, page 135.

NATIONAL ZOOLOGICAL PARK'S CONSERVATION AND RESEARCH CENTER

(National Zoological Park Conservation Biology Training Center)

Acting Secretary Samper provided an overview of a proposal by the National Zoological Park to seek legislative approval to allow the lease of the Zoo's Center for Research and Conservation (CRC) in Front Royal, Virginia, for the purpose of developing non-exclusive partnerships in education and long-term ecological research. Because the CRC is located on Federal property transferred by the General Services Administration to the Smithsonian, it cannot advance certain proposed initiatives that will be beneficial to both the Institution and the interested organizations, which at this time include George Mason University and the National Ecological Observatory Network (NEON), which is funded by the National Science Foundation. It was made clear that the proposed statutory authorization is a necessary procedural element in the furtherance of these proposed partnerships and that final approval for both partnerships only will be exercised following separate reviews by the Board of Regents. The motion was accordingly approved.

See attached Resolution 2008.5.20 (Minutes of the Board of Regents, Appendix A).

The paper regarding the National Zoological Park Conservation Biology Training Center is included in the May 5, 2008, Minutes of the Board of Regents, Appendix B, page 139.

REPORT OF THE FINANCE AND INVESTMENT COMMITTEE

Finance and Investment Committee Chair Eli Broad provided an update on the recent activities of the Finance and Investment Committee ("the Committee"), including its May 1, 2008, meeting. During that meeting, the Committee discussed eight topics.

Mr. Broad reported that the Committee first reviewed management's recommendations to improve the Regents' oversight of the Smithsonian budget. These suggestions were made in response to Governance Committee recommendation number 22 and are intended to strengthen both the Committee's and the Board of Regents' engagement in the Institution's budget processes.

Mr. Broad said that a team of Smithsonian staff reviewed existing planning and budgetary processes and proposed a number of measures to increase the Regents' role in these critical processes. The team suggested that the Regents approve the Institution's strategic plan; affirm long-term facilities master plans and the Smithsonian's annual Federal performance plan; approve budget priorities at the start of the budget formulation process; approve major program initiatives and major facilities projects at the front-end of the budget formulation process; affirm, not approve, a multi-year business plan for Smithsonian Business Ventures (SBV); approve the Federal budget request before the budget is submitted to the Office of Management and Budget (OMB); and affirm the Institution's annual goals before the start of each fiscal year.

To support the Regents' increased involvement, the Committee agreed that the Secretary should modify the timing of several key processes and integrate Smithsonian Business Ventures into the Institution's planning and budgetary processes and timetable. The Committee then approved two motions to implement these budget process reform recommendations, one of which was modified slightly to reflect an additional requirement that the Committee work with both the chair of the Board of Regents and the Regents' Governance and Nominating Committee to incorporate these responsibilities into appropriate committees and procedures. Mr. Broad read the revised motions approved by the Finance and Investment Committee, which were subsequently approved by the Regents.

See attached Resolutions 2008.5.21–22 (Minutes of the Board of Regents, Appendix A).

Mr. Broad reported that the Committee next discussed management's proposed financing strategy for the Smithsonian campaign and the amount required to get this effort under way. Involving all of the Institution's museums and research centers, the campaign will be the most intensive fund-raising effort ever undertaken by the Smithsonian. It will require two to three

years of planning and the investment of staff and resources. A large portion of funding for the endeavor will require new resources.

As the Central Trust budget produced a larger-than-expected \$7 million unrestricted surplus in fiscal year 2007, management recommended that \$2.5 million of the \$7 million surplus be set aside to fund expenses for the initial planning phase of the campaign, including some anticipated systems as yet undefined. Mr. Broad reported that the Committee agreed to management's recommendation on the condition that management report back to the Committee about expenses for the campaign and the recommendation for the Regents' approval. The motion was accordingly approved.

See attached Resolution 2008.5.23 (Minutes of the Board of Regents, Appendix A).

Mr. Broad said that the Committee then was briefed by Director of Investments Amy Chen on the proposed Endowment payout for fiscal year 2009, who explained that the current policy of the Smithsonian is to pay out each year 5% of the average market value over the previous five years. The Committee discussed, and then approved for the Regents' consideration, a proposed payout for fiscal year 2009 of \$38.72 per share, compared to \$37.23 in fiscal year 2008, which is projected to result in a total payout from the Endowment of \$48.71 million. Accordingly, the Regents approved the proposed motion.

See attached Resolution 2008.5.24 (Minutes of the Board of Regents, Appendix A).

The Committee also heard a report from Office of Planning, Management and Budget Director Bruce Dauer, who presented the Institution's fiscal year 2008 mid-year financial report. Mr. Dauer said that the Institution projected a sound financial position at mid-fiscal year. He noted several highlights, including the fact that the Institution received a 5% increase to its fiscal year 2008 Federal appropriations (compared to the previous year). In addition, Mr. Dauer said that the President's budget for fiscal year 2009 pending before Congress requests an additional 5% increase in fiscal year 2009.

With respect to the difficult financial markets in fiscal year 2009, Mr. Dauer told the Committee that the value of the Institution's Endowment stood at over \$1 billion. Smithsonian Business

Ventures' (SBV) net gains, however, were reported to be slightly below budget due to the failure of the Smithsonian's catalog fulfillment contractor. Nevertheless, cost-cutting and the expected income from the Institution's movie deal with 20th Century Fox for *Night at the Museum II: Escape from the Smithsonian* are projected to largely offset those losses.

Other positive news conveyed to the Committee included the report that the Institution's unrestricted Trust budget is forecast to produce a surplus for the fifth year in a row; the Institution's net worth continues to grow; and fund raising is on budget with a fiscal year 2008 goal of \$115 million.

Treasurer Sudeep Anand then informed the Committee of management's proposal to allow the National Zoo to withdraw funds, if necessary, from its unrestricted Endowment to complete the Asia Trail II Elephant Trails project. Mr. Anand explained that the estimated cost to complete the Asia Trail II Elephant Trails project at the National Zoo is \$45.4 million, which will be funded in part by \$35.6 million in Federal appropriations. The Zoo is confident that it will raise the final \$1.8 million before the project's anticipated completion in 2011 and that funding will not be needed from the Endowment. In the event, however, that the Zoo is unsuccessful in its efforts to raise these funds in full, the management proposed that the shortfall be addressed by accessing the Zoo's unrestricted Endowment, which is currently valued at \$6.8 million. Mr. Broad conveyed the Committee's approval to submit a proposed motion to the Regents regarding the use of the Zoo's unrestricted Endowment monies as collateral for fund-raising expenses associated with the completion of the Asia Trail II Elephant Trails project. The motion was accordingly approved.

See attached Resolution 2008.5.25 (Minutes of the Board of Regents, Appendix A).

Mr. Broad next discussed the Committee's consideration of proposed actions to better engage the Regents in the Institution's budget process in a more timely manner and said that the Committee had reviewed the fiscal year 2010 Federal budget priorities proposed by management. Mr. Broad outlined the priorities, which were presented in rank order. Non-discretionary costs, such as pay and rent increases, topped the list of budget priorities, followed by "Stewardship of National Treasures," including security, facilities and exhibition maintenance, and collections care;

“Increase and Diffusion of Knowledge,” which encompasses research, education, and public outreach; governance and management operations; and new museum support.

Mr. Broad explained that these priorities will be used to develop both the fiscal year 2010 Federal and the fiscal year 2009 Trust budgets and are intended to balance the need for funding for facilities care with investments in the Institution’s programs. He added that the Institution presented this balanced approach to its priorities in its fiscal year 2009 Federal budget submission to OMB and proposes to continue this approach in 2010. Although OMB funded facilities at the expense of programs in the fiscal year 2009 Federal budget request, the Institution believes that this approach to the Institution’s budget has enabled management to better educate OMB about Smithsonian programs.

An energetic discussion followed Mr. Broad’s presentation on the Institution’s fiscal year 2010 budget priorities. The Regents welcomed the opportunity to contribute to the articulation of budget priorities at an early stage in their development. Because the Board previously had not been involved at this point in their development, a number of questions were posed regarding both the elements of the proposed budget, as well as the approach by which the Institution presents its needs to OMB. It was made clear that this was a preliminary draft of the Institution’s fiscal year 2010 budget priorities and that the full and detailed budget would be presented to the Regents at their September 2008 meeting.

With regard to the adequacy of specific funding requests, senior management explained that the Institution considers the success of its prior budget negotiations when developing a proposed Federal budget. For example, salaries comprise the largest part of the Institution’s budget, and Congressionally mandated (but largely unfunded) pay increases for the Smithsonian’s Federal staff pose a consistent challenge to the Institution’s efforts to balance its budget. Nevertheless, the Institution historically has received support from the Administration for inflation adjustments for anticipated increases in rent and utilities. The Regents also were reminded that, aside from the Departments of Defense and Homeland Security, the Institution was the only Federally funded organization to receive an increase in fiscal year 2008.

The Regents asked about how to find out about, and better understand, successful approaches that may have been employed by other Federal agencies in similar situations. Concern was expressed about the possible development of a rigid negotiating style that could preclude the development of innovative negotiating techniques.

This comment prompted consideration of the fact that the forthcoming change in the Administration could provide an important opportunity for the Smithsonian to take the lead on issues of international significance, such as scientific literacy and the diffusion of knowledge through vehicles such as digitization. The Regents agreed that the development of negotiating tactics should support a compelling vision that may be embraced by the new Administration. The Regents also considered how to wed the forthcoming strategic plan, as well as a national fund-raising campaign, with the development of an overarching initiative, and concern was expressed regarding how to successfully mesh the different timelines of each. The Board was assured that, because the current Administration has announced that it will not ask for a proposed fiscal year 2010 budget submission this fall, the Institution will benefit from the extra time as it will allow management to further develop and articulate its goals and priorities. It also was acknowledged that the Institution will likely be operating under a Continuing Resolution during this transition but, in the end, will be better positioned with regard to the new Administration.

Following the discussion of the Institution's fiscal year 2010 budget priorities, the Regents approved a proposed motion to approve the priorities proposed by the Acting Secretary.

See attached Resolution 2008.5.26 (Minutes of the Board of Regents, Appendix A).

Two other topics were reviewed by the Committee: the activities of the Smithsonian Investment Committee (SIC) and the Institution's external debt. Mr. Broad said that SIC met on April 15, 2008, and that SIC Chair David Silfen subsequently provided an update on its activities to the Finance and Investment Committee. The SIC reported considerable progress since the Endowment was reconstituted. Third-party advisor Cambridge Associates conducted an annual review of the Institution's portfolio for 2007, which found that the Institution's Endowment performed well ahead of its benchmarks in 2007. With regard to similar-sized institutions included in Cambridge's universe of foundations and endowments, the Endowment performed in

the top 34%. The review also found that the Institution's asset allocation differs from the long-term policy targets due to the strategic cash position and the time it will take to fully implement the private equity and real asset portfolios. Cambridge also reviewed metrics to be used for risk reporting.

The SIC has revised its investment policy to allow the absolute return allocation policy to range from 15% to 40% (an increase from 15% to 35%) and recommended conducting a search for Far East equity managers and reviewing credit/distressed opportunities. During fiscal year 2008, the SIC will continue to evaluate staffing and outsourcing plans; develop its real assets and private equity programs, risk reports, and infrastructure and technology plans; and disseminate a communication piece to educate Smithsonian constituents on the basic activities of the Endowment.

In response to Mr. Broad's update on the activities of the Smithsonian Investment Committee, the Board discussed the need to draft a statement of clear principles that guide the Institution's investment actions, especially with regard to social responsibility and environmental issues. The Board agreed to solicit the help of Chief Investment Officer Amy Chen to articulate those principles.

Lastly, Mr. Broad reported on the Institution's external debt. As summarized by Treasurer Sudeep Anand to the Finance and Investment Committee, the Institution's total external debt at the end of March 2008 was \$111.9 million. The debt consists of two elements: construction of the Discovery Center at the National Museum of Natural History (which consists of the IMAX theater, a shop, and restaurant) and the National Air and Space Museum's Udvar-Hazy Center.

Regarding the Discovery Center, the District of Columbia, on behalf of the Smithsonian, issued \$41.3 million in tax-exempt bonds in 1997 to fund this construction. The Institution has paid down \$6.9 million of this debt thus far, leaving a balance of \$34.4 million. It is a fixed-rate debt with an average interest rate of 5%. As the Discovery Center bonds are callable at 101% in 2008 and at par in 2009, the Committee discussed options to refinance these bonds in 2008 or 2009. Mr. Anand recommended that the Institution begin working with the District of Columbia to

refinance this debt, a process that can take over six months, while continuing to monitor the bond market. Then, when the market stabilizes, a final recommendation can be made.

The Committee also reviewed the total outstanding debt for the Udvar-Hazy Center, which is now \$77 million. A variable rate, tax-exempt bond with a 30-year life, the debt is being serviced through the fulfillment of pledges and income earned from business activities and parking at the Center. To date, the Institution has collected \$35 million towards repayment of this debt. Mr. Broad reported that the funds are currently held in the Institution's short-term portfolio.

The full report of the Finance and Investment Committee is included in the May 5, 2008, Minutes of the Board of Regents, Appendix B, page 142.

AFTERNOON PLENARY SESSION

The Chancellor called the afternoon session to order at 1:15 p.m.

REPORT OF THE GOVERNANCE AND NOMINATING COMMITTEE

Governance and Nominating Committee Chair Shirley Ann Jackson reported on the substantial efforts of the Committee over the previous four months. Dr. Jackson said that the Committee had implemented most of the recommendations assigned to it in June 2007 and that she anticipated that the remaining recommendations would be implemented by the September 2008 meeting of the Board of Regents.

Dr. Jackson first updated the Board on the Committee's activities that will impact the Board's activities over the next few meetings. She reported that a self-assessment tool was being developed for the Regents with the assistance of the Office of Policy and Analysis and its director, Carole Neves. Dr. Jackson said that the Committee anticipates that the survey will be administered this summer and its results will be presented to the Regents at one of the fall 2008 meetings.

Dr. Jackson then reminded the Regents of their commitment to conduct one public meeting each year with the intention of providing the Institution's stakeholders the opportunity to better

understand how the Board works. She noted that, although the June 2008 meeting of the Board had been designated as the first public meeting of the Board of Regents, the Committee, with the support of Mr. Sant, agreed to postpone the public meeting until November 2008. This decision was made in response to the fact that the Congress will be in recess and Secretary-Elect Clough will begin his appointment on July 1. Dr. Jackson said that the Committee anticipates that the rescheduled time will provide for a more productive meeting built around a single topic, such as the future of the Arts and Industries Building. She added that BoardSource, the Institution's independent nonprofit governance consultant, is assisting in the planning of the event.

Also noted was the fact that, over the course of the summer, the Committee will focus on the development of an orientation program for new Regents; the revision of the Board's Bylaws to better reflect the improvements made over the last year; and the creation of a more formalized vetting process for the selection of new Regents. Dr. Jackson added that, with regard to previous discussions of better engaging the Institution's advisory boards, she believes that the Committee might consider taking a larger role in the review of proposed nominations to those boards. She also noted that she was scheduled to meet with Senator Dianne Feinstein on May 7.

Dr. Jackson next directed the Regents' attention to a series of proposed governance improvements that required the Board's immediate attention and action. She reminded the Regents that they had received a proposed amendment to the Board's Bylaws 30 days in advance of this meeting. The proposed change would make the Chair of the Board an ex officio nonvoting member of each committee, with the exception of the Executive Committee where the Board Chair will remain the chair of that committee and a voting member pursuant to the Bylaws, and is intended to provide the Chair with an opportunity to monitor and to contribute to the deliberations of each committee. Dr. Jackson also directed the Regents' attention to the proposed Regents' committee assignments and pointed out that Mr. Sant was not noted as an ex officio member of the Compensation and Human Resources Committee because that committee's charter currently requires that two of its members also be on the Executive Committee. A motion to amend Section 5.02 of the Bylaws was accordingly approved.

See attached Resolution 2008.5.27 (Minutes of the Board of Regents, Appendix A).

Dr. Jackson then reminded the Regents that the legislation that established the National Museum of African American History and Culture calls for a Regent to be appointed as a voting member of the Museum's Advisory Council, a position that had been held by former Regent Walter Massey. In response to Dr. Massey's retirement from the Board, and with the enthusiastic support of the Committee, Museum Director Lonnie Bunch, and Council Co-Chairs Linda Rice Johnson and Richard Parsons, a proposed motion to appoint Congresswoman Doris Matsui to the Advisory Council was approved.

See attached Resolution 2008.5.28 (Minutes of the Board of Regents, Appendix A).

The Committee's careful consideration of the appropriate size, composition, and structure of the Board of Regents (Governance Report Recommendation No. 1) was then summarized by Dr. Jackson. This effort required the Committee to consider whether the Board's statutory charter needed to be opened to accommodate radical structural changes, or whether the current framework is appropriate or, short of seeking legislative change, could be improved.

Dr. Jackson emphasized the seriousness with which the Committee took this charge. In response to guidance received from the Board over the course of three previous meetings, vigorous debate within the Committee, and significant outreach and research by members, staff, and outside consultant BoardSource (including its analysis of stakeholder concerns and potential responses), the Committee produced ten recommendations for the Regents' consideration.

Dr. Jackson noted that the Committee's recommendations fell within three areas: the size and composition of the Board; its Executive Committee; and the structure of the Board. She said that the Committee's primary focus was on the size and composition of the Board, the issue of most interest to the Institution's stakeholders, and that the Committee determined that the current size of the 17-member Board was appropriate. In addition, the Committee believed that both the Board and the Institution benefit from the participation of all three branches of the government. It was noted that the involvement of the Congressional Regents had been of crucial support to the Smithsonian over the course of the past year and that the representation of the Judicial Branch by the Chief Justice is an invaluable asset to the Board. The Committee agreed that, although it is disappointed that Vice Presidents historically have not attended Regents meetings or taken an active role in other Board

business, the Vice President should continue to represent the Executive Branch. Dr. Jackson said that the Committee appreciates the contributions of the Vice President's liaisons and that either the Committee or the Chief Justice in his role as Chancellor intend to approach the next Vice President at the earliest possible point at the start of his or her tenure in order to find ways to increase that office's engagement in the affairs of the Board of Regents.

Dr. Jackson added that the Committee's conclusion not to change the current size and composition of the Board also was based upon the reaffirmation by each Regent to contribute equally to and to participate fully in the governance of the Institution. Although the Committee made these recommendations with confidence in the significant and continuing commitment of members of the Board, it also recognized that the Board should, when appropriate, add non-Regents to the Regents' committees to supplement the skills and expertise of the Regents. As the draft Government Accountability Report also recommended that the Board clarify how and where it might make use of non-Regents, the Committee concluded that non-Regent members of the Regents' committees must have more than mere expertise in a particular area and in fact must possess significant ties to and have a deep understanding of the Smithsonian. It therefore recommended that the Regents first look to the Institution's advisory board chairs and Regents Emeriti.

To strengthen the leadership structure of the Board, the Committee also recommended the creation of a vice chair who would be a member of the Executive Committee and would serve to support the Chair in the execution of his or her duties. If this recommendation is adopted, the Committee will draft an appropriate Bylaw for the Regents' approval before or at the September 2008 meeting.

Dr. Jackson then discussed the second group of recommendations relating to the Executive Committee. Like the Board, the Executive Committee is guided by the general parameters set forth in the statutory charter. Dr. Jackson stated that a common concern expressed by the Institution's stakeholders was that the Executive Committee is too small. The Governance and Nominating Committee concluded, however, that those concerns were substantially resolved by the Chief Justice's decision to remain on, but not be a voting member of, the Executive Committee and his intention to meet regularly with the Committee to develop agendas and discuss other significant

issues. In addition, the January 2008 election of Patricia Stonesifer to the Executive Committee augmented the voting members of the Executive Committee.

In response to concerns regarding the transparency of the Executive Committee's operations, the Governance and Nominating Committee recommended that the Office of the Regents provide the Governance and Nominating Committee regular reports of actions taken by the Executive Committee between Regents' meetings, and that the Executive Committee seek ratification of decisions by the full Board as appropriate.

Dr. Jackson then presented the third group of recommendations, which deal with the structure of the Board's committees, and said that the Governance and Nominating Committee recommended the creation of two new committees and the promotion of one committee. She explained that, because the Smithsonian will be developing a national fund-raising campaign that will be unprecedented in its history, both staff and Board members strongly advocate the creation of a development committee, which shall be called the Institutional Advancement Committee. The Committee also recommended the appointment of Alan Spoon as chair of the new committee.

Dr. Jackson also noted that Secretary-Elect Clough had indicated his intention to launch a Strategic Planning process. To support him, the Committee recommended the creation of a Strategic Planning and Programming Committee that would be chaired, if adopted, by Doris Matsui. Dr. Jackson noted that this Committee also would fill a critical void in the Board's oversight of the development of programmatic initiatives that link to strategic vision.

To signal the importance of the Endowment's management, and the Board's ultimate responsibility for it, the Committee also recommended that the Investments Subcommittee become a full standing committee of the Board of Regents. Emphasizing the role that non-Regents play in the governance of the Smithsonian, the Committee proposed that the new Investment Committee be chaired by non-Regent David Silfen and that, because of their expertise, it will have a majority of non-Regents.

Dr. Jackson then directed the Regents' attention to the Committee's revised position description for Regents. The description incorporates the concept that the Citizen and the Congressional Regents

share as equal a burden as possible in the oversight of the Smithsonian. It also contains revised criteria for identifying Citizen Regents, adding leadership potential and development capacity as relevant factors.

In response to Dr. Jackson's description of the proposed committee structures, Mr. Sant noted that the Committee also proposed changing the name of the Facilities Revitalization Committee to the Facilities Committee. This change was proposed to acknowledge that that committee possesses a broader purview than just facilities revitalization.

Dr. Jackson was asked if the Committee had considered having one committee hold responsibility for both strategic planning and development. She responded that, although the Committee had not specifically considered that structure, she would advise that the two remain separate but well-informed of each other's activities. Dr. Clough concurred with the need for effective cross-communication and noted that there would be many appropriate opportunities to support such exchanges. Mr. Sant added that it would be most logical for the Congressional Regents to serve on the Strategic Planning Committee but not on the Development Committee.

A motion to approve the recommendations of the Governance and Nominating Committee was moved and seconded. The motion, which recommended that the Executive Committee propose such Bylaw Amendments as may be necessary to carry out the Governance and Nominating Committee's recommendations, and that the Board endorse the revised duties and responsibilities of Regents, the general criteria for identifying candidates to the Board, and the general guidelines for appointing standing committees of the Board of Regents was accordingly approved.

See attached Resolution 2008.5.29 (Minutes of the Board of Regents, Appendix A).

Following the lengthy review of the revised duties and responsibilities of the Board and its committees, Dr. Jackson presented the proposed committee membership assignments. She said that the proposed assignments were based on the principle that, in general, all Regents are expected to serve on at least one, but no more than three, standing committees. Also noted was the fact that the committee tasked with development initiatives was titled the Advancement Committee. The Regents accordingly approved the proposed committee assignments.

See attached Resolution 2008.5.30 (Minutes of the Board of Regents, Appendix A).

Dr. Jackson then reported on management's development of a communications plan to increase the flow of information among Regents' staff and stakeholders and strengthen accountability and transparency. She directed the Regents' attention to the communication team's action plan included in the agenda books, which showed the significant progress made during the past year to increase both the Smithsonian's and the Regents' transparency and accountability.

Dr. Jackson praised the energetic contributions of Congresswoman Matsui towards the enhancement of the Smithsonian's public web pages, which has included the establishment of new public web pages for the Regents and the posting of Smithsonian policies, governance-related documents, and operational information. The creation of an internal communications position in the Office of Communications was cited as evidence of the Institution's stronger emphasis on internal communications. Dr. Jackson also noted that efforts to better engage the Congress through structured trips to Smithsonian facilities and regular meetings with the Secretary have been positively received.

The Committee agreed, however, that the way the Smithsonian measures and monitors communication needs improvement. The navigation of the public web site and the Smithsonian staff intranet must become more user-friendly. Addressing these shortcomings will advance the Institution's efforts to support transparency in all aspects of its operations, from the way the Board governs to the day-to-day operation of individual units. Dr. Jackson added that the increased involvement of the Regents, and in particular the enormous contributions of time by Mr. Sant and Ms. Stonesifer, have had an enormous impact on the development of the Institution's transparent governance and improved communications.

The Regents then approved the communications strategy proposed by the Acting Secretary and recommended by the Governance and Nominating Committee.

See attached Resolution 2008.5.31 (Minutes of the Board of Regents, Appendix A).

Dr. Jackson closed her report by noting that, going forward, the Committee will further examine and clarify the role of the Institution's advisory boards; create a proposed process by which to vet

candidates for the Board of Regents, as well as the advisory boards; and develop of a matrix by which to measure the impact of the governance reforms, and that additional recommendations to the Regents would be forthcoming.

The Governance and Nominating Committee Report is included in the May 5, 2008, Minutes of the Board of Regents, Appendix B, page 191.

THE FUTURE OF THE ARTS AND INDUSTRIES BUILDING

The Regents next considered the future of the historic Arts and Industries (A&I) building. Mr. Kogod left the room prior to this review. The discussion was introduced by Acting Secretary Samper, who said that addressing the future of the historic landmark has been one of his top priorities since he assumed the role of Acting Secretary last year. He asked Acting Under Secretary for Finance and Administration Alison McNally, who oversaw the report under review by the Regents, to join him at the Regents' table.

The Regents were reminded of the sequence of activities that led to this important discussion. In response to concerns about the structural integrity of the building, the Board of Regents voted in September 2003 to close A&I and vacate it as soon as possible. The building consequently was closed to the public in January 2004 and vacated of all staff in December 2006, after which it was put in mothball status.

The Board also had authorized management to explore the possibility of a public/private partnership to restore the building's potential. This action was taken in January 2006. In September 2007 the Institution received Congressional support to proceed with a Request for Qualifications (RFQ) to determine if there would be sufficient interest in proceeding with a public/private partnership for the renovation of the building. An RFQ Evaluation Team was formed that was comprised of a diverse representation of staff with mixed experience in retail, finance, development, construction, and the cultivation of mission-centric initiatives at the request of Acting Secretary Samper. In parallel, an internal survey also was conducted under the direction of Office of Policy and Analysis Director Carole Neves for the purpose of soliciting staff input regarding the possible uses of, and funding for, the building.

Ms. McNally proceeded to summarize the RFQ Evaluation Team Report and the internal survey for the Regents. She noted that she then would provide the results of their research and assessments, as well as offer the Team's observations to better inform the Regents' discussion of proposed options for the building.

The RFQ was structured to include four criteria: that a proposal is creative, exciting, and appropriate; that managerial capability to perform the task is demonstrated; that experience with and concern for the preservation of an historic asset was clear; and that financial stability and capability was explicit. Several important ideas also were included: that the Institution reserved the right not to proceed with an RFP after the Institution had gone through the RFQ process; that the proposal possess a vision compatible with the importance of the building, its location, and the Smithsonian's mission to increase and diffuse knowledge; that the proposed functions for the building's use would not duplicate the functions or focus of any of other Smithsonian museums on the National Mall; that the proposed activities include mission-related commercial use, exhibits, or conference applications, or mixed-use concepts that were mission-centric; and that bidders would be responsible for all costs of restoration, operations, and maintenance of the facility.

In January 2008, the Institution received 11 responses to the RFQ. The Evaluation Team employed a number of filters to screen the proposals, including consideration of the financial viability of the concept. Several of the proposals addressed an "Alive after Five" component intended to support evening activities on the National Mall. Following the Team's careful review, three responses were determined to meet all four criteria in the RFQ. All of these ideas included long-term leases that ranged from 65 to 99 years and recognized that a licensing agreement would not provide sustainable revenues. The Evaluation Team noted that some proposals included charging admission fees. Brand sponsorship, and its implications, also was considered by the Team. Of greatest concern to the Team, however, was the proposed use of a long-term lease, noted as necessary for the recovery of costs.

Ms. McNally then noted the results of the internal survey, which posed two questions to staff: What might be possible uses for the Arts and Industries building and how might they be funded? The 700 responses, which included over 2000 ideas, overwhelmingly showed that less than one percent of

staff support the long-term use of A&I by a group outside of the Smithsonian. The majority of ideas proposed by staff identified the building's potential to support exhibitions and most proposals included mixed-use concepts. A significant number also supported the identification of the building as its own unit.

Continuing with her overview of the RFQ process, Ms. McNally said that the Institution developed three options regarding the response to the results of the RFQ process. It also identified several key factors to help direct the Regents' consideration of the next step in determining the future of the building. It was suggested that the Regents first consider the timing of this initiative with regard to pending changes in Smithsonian leadership, including the forthcoming arrival of Dr. Clough; the forthcoming development of a Smithsonian-wide strategic plan; the development and launch of a national fund-raising campaign; and the recently enacted legislation to establish a commission to review the proposed creation of a National Museum of the American Latino. It was noted that the building might be considered as a site for the proposed museum. The Team also expressed concern regarding the implications of a long-term lease, noting that such an agreement likely would represent a significant loss for the Institution.

The three options presented for the Regents' consideration included issuing a modified RFP that addresses some of the concerns made by the Evaluation Team, yet maintains the interest of bidders; suspending the RFQ process until other programmatic ideas or alternative funding sources are developed; or concluding the RFQ process without intention to proceed with an RFP, while further exploring options based on strategic planning and other activities happening around the nation.

The Regents and Dr. Samper praised the report prepared by Ms. McNally. Dr. Samper noted the importance of the Regents' forthcoming response, adding that considerable interest in these deliberations had been expressed both inside and outside of the Institution, including in Congress. He added that clear guidance from the Regents will be necessary to address such issues as the viability of a long-term lease or charging admission.

Senator Leahy said that, of the concerns raised thus far, the issue of charging admission was of greater importance than the application of a long-term lease. He noted that both the Congress and

the public would likely question the use of admission fees to A&I, even if it were under lease, when nearly all other Smithsonian buildings maintain free admission policies. In addition, he said that some might question the direction of potential financial benefits away from the Smithsonian. Ms. McNally noted that the proposals presented options to allow the Smithsonian some degree of control over the content, and that many had shared licensing and revenue generation that would potentially benefit the Smithsonian.

Another question was posed regarding the availability of information about how much space is currently leased by the Institution, as well as associated costs. Noting that A&I is a national treasure, Dr. Frost asserted that it would be best to maintain full control over the building and perhaps rationalize the expense of its repairs by reducing the Institution's current requirements for leased space. Ms. McNally agreed to provide additional information to support the consideration of this option.

The Regents also discussed the possible use of the building as host to the future National Museum of the American Latino, a desire recently expressed in a letter to the Board from the Congressional Hispanic Caucus. Mr. Sant noted that, although Congressman Becerra also has declared his support for this use, other stakeholders are of the same opinion. Congressman Becerra, who sponsored the bill to establish the commission, agreed that he would appreciate the opportunity for the new museum to be the next resident of A&I but has sought to maintain a perspective that supports the overall best interests of the Institution, as well as the National Mall.

The Regents discussed the need to slow down the process of determining the immediate future of the building. As stewards of this historic landmark, the Regents expressed their desire to consider and develop more options that could both address the building's state of decay while maintaining the Institution's sovereignty over it. All agreed that A&I is in fact essential to the whole of the Smithsonian. The Board also agreed that the new Secretary should be given the opportunity to better understand this issue.

The Board also discussed its confusion regarding earlier reports on the building's instability. They discussed the fact that they voted to close the building in 2003 in response to information that the

integrity of the building's roof was severely compromised and was similar to the design of two other structures that had recently collapsed. Since that time, the Institution has received additional information that acknowledges that, although the building is in significant disrepair, it is not in imminent danger of collapse. The Board expressed its confusion and frustration regarding these disparate reports. Dr. Clough said that, as a civil engineer, he was particularly interested in getting an up-to-date structural assessment of A&I. The Board agreed that the building's stability would likely accommodate a slowing down of the process to determine its future use.

Ms. Stonesifer said that one of the benefits of the RFQ process was that it demonstrated the revenue-generating potential for the strategically located site. Dr. Jackson expressed her opinion that a properly structured, overarching vision can concurrently address, both strategically and operationally, the future of A&I, the realization of a new Smithsonian museum, and other important initiatives. She also noted that the RFQ process inherently places the control of generating ideas in the hands of external sources, and doesn't sufficiently encourage the cultivation of proposals from within an organization. Mr. Sant added that, because of the low number of viable proposals, he was uncomfortable with proceeding further with the RFQ process.

Dr. Clough reminded the Board that a decision to terminate the RFQ process would not preclude the ultimate solicitation and involvement of third parties in the future use of the building. The Board cited the need to first develop the Institution's strategic plan and then consider the future of the Arts and Industries building in the context of that plan.

Dr. Samper reminded the Board that although the mothballing of the building is included in the Institution's budget for facilities maintenance, its restoration would add to the \$2.5 billion shortfall in funding for the Institution's facilities. Office of Policy and Analysis Director Carole Neves noted that her office's studies of proposed options for the building found widespread concern regarding the possibility of separating the Arts and Industries building from the Smithsonian. She added that, other than the opinion expressed by Senator Dianne Feinstein, there were no strong endorsements of the RFQ or RFP processes by any stakeholders on the Hill, in the historic preservation community, or in the Office of Management and Budget.

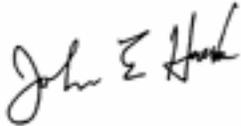
The Regents concluded their discussion by asserting their interest in developing a larger strategic vision that will include, and state, a vision for the Arts and Industries building. The Board accordingly approved a motion to conclude the current RFQ process, to not proceed to the RFP process, and to leave the process open further to explore other ideas and alternatives for use of the building.

See attached Resolution 2008.5.32 (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. The Regents then met in executive session until 3:10 p.m.

RESPECTFULLY SUBMITTED,

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

JOHN E. HUERTA
RECORDING SECRETARY AND GENERAL COUNSEL

MINUTES OF THE BOARD OF REGENTS

May 5, 2008

APPENDIX A APPROVED RESOLUTIONS

VOTED that the Board of Regents approves the Minutes of the Meetings of January 28 and March 14, 2008, as previously circulated on April 28, 2008. [2008.05.01]

VOTED that the Board of Regents appoints Thomas H. Castro, Abby Joseph Cohen, Robert F. Higgins, Elizabeth Lawer, Dorothy Swann McAuliffe, and Kristin Richardson to the Smithsonian National Board for three-year terms effective October 2008. [2008.05.02]

VOTED that the Board of Regents appoints Cathy Sulzberger to the Advisory Council of the Center for Folklife and Cultural Heritage and reappoints Scott Raecker to the Council for an exceptional third term, each for three-year terms effective June 1, 2008. [2008.05.03]

VOTED that the Board of Regents appoints Judy Francis Zankel to the Board of Trustees of the Cooper-Hewitt, National Design Museum for a three-year term effective immediately. [2008.05.04]

VOTED that the Board of Regents appoints Jane Bernstein, Michael de Havenon, David Solo, and Patricia Pei Tang and reappoints Sunandini (Nunda) P. Ambegaonkar, Shirley Z. Johnson, and Diane H. Schafer to the Board of Trustees of the Freer Gallery of Art and the Arthur M. Sackler Gallery for four-year terms effective September 12, 2008. [2008.05.05]

VOTED that the Board of Regents appoints Kathryn Brown to the Board of Directors of the National Museum of American History, Kenneth E. Behring Center, for a three-year term effective October 1, 2008, and reappoints Curt Bradbury, Victor Cabral, Emilio Fernandez, Francine LeFrak, Charles Manatt, and Riley Temple to the Board for three-year terms effective immediately. [2008.05.06]

VOTED that the Board of Regents appoints Paul G. Risser to the Board of the National Museum of Natural History for a three-year term effective immediately. [2008.05.07]

VOTED that the Board of Regents reappoints Tania Goss Evans and William I. Koch to the Commission of the Smithsonian American Art Museum for four-year terms effective June 30, 2008. [2008.05.08]

VOTED that the Board of Regents appoints Laura Hernandez and reappoints Gloria Rodriguez to the Smithsonian National Latino Board of the Smithsonian Latino Center for three-year terms effective May 22, 2008. [2008.05.09]

VOTED that the Board of Regents recognizes the generosity of Lloyd E. Herman and creates an endowment, using the donor's gift and additional funds to be raised by the Museum, to support a curatorial appointment for the benefit of the Smithsonian American Art Museum's craft program. The income from the endowed fund will be used to pay the curator's salary and benefits. If excess funds accumulate in the endowment, beyond what is required to support the curator's salary and benefits, these funds may be used to support other craft-related programs and activities of the Museum. [2008.05.10]

VOTED that the Board of Regents recognizes the generosity of Ann and Gilbert Kinney to the Freer Gallery of Art and Arthur M. Sackler Gallery and creates an endowment dedicated to the acquisition of Southeast Asian materials for the Galleries' library, the principal of the which may be spent when necessary to assure the purchase of suitable materials for the library. Use of the principal shall be at the discretion of the director of the Galleries, who will consult with a future curator of Southeast Asian art and other relevant staff and Board members, and in accord with Smithsonian SD-317. The fund will be identified as the Southeast Asian Materials Fund. [2008.05.11]

VOTED that the Board of Regents recognizes the generosity of Robert L. McNeil, Jr., as well as the accomplishments and long service of Marc Pachter, to the National Portrait Gallery and creates and names The Marc Pachter Endowment Fund for Commissioning. In addition, the Board of Regents approves the creation and naming of The Marc Pachter Fund for Commissioning Quasi-Endowment and the transfer of funds identified for it. [2008.05.12]

VOTED that the Board of Regents creates and names the Smithsonian Institution Libraries Wildlife Conservation Fund, a quasi-endowment to support the acquisition of books, journals, electronic databases, and other materials in the area of wildlife conservation, as determined annually by the director of the Libraries. Further, the Regents authorize the transfer of funds identified for this purpose. [2008.05.13]

VOTED that the Board of Regents recognizes the generosity of the late Janice Mary Johnson and the Andrew W. Mellon Foundation to the National Museum of the American Indian and creates an endowment to support, in perpetuity, one-year fellowships in the Museum's Advanced Training Program in Ethnographic and Archaeological Conservation, and names the position the Janice Mary Johnson and Andrew W. Mellon Foundation Advanced Training in Conservation Fellowship. [2008.05.14]

VOTED that the Board of Regents recognizes the generosity of an anonymous donor to the National Zoological Park and establishes an endowed fellowship to train current and future generations of conservation scientists in support of the National Zoological Park's mission to study, recover, protect, and manage species and the habitats they require for survival. The fellowship is named the George A. Didden, III Fellowship in Conservation Biology, in perpetuity, in memory of the late past president of the Friends of the National Zoo and member of the Smithsonian National Board. [2008.05.15]

VOTED that the Board of Regents recognizes the generosity of the Leon Levy Foundation to the Freer Gallery of Art and Arthur M. Sackler Gallery and approves naming each fellowship and guest curator position made possible by this gift, respectively, a Leon Levy Foundation Fellow and a Leon Levy Foundation Curator. [2008.05.16]

VOTED that the Board of Regents recognizes the donors' generosity to Cooper-Hewitt, National Design Museum and names the first-floor space occupied by the retail shop, which consists of the Carnegie Mansion's former library and adjacent study, the Lisa Roberts and David Seltzer Room, for 40 years. [2008.05.17]

VOTED that the Board of Regents approves, pending final review by the Executive Committee of the tenant improvement requirements and funding strategy, the Acting Secretary's request for authority to lease approximately 25,000 square feet of collections housing, lab, and photo studio space at 48–40 34th Street, Long Island City, New York, to provide off-site space for Cooper-Hewitt, National Design Museum to accommodate its planned revitalization of the Carnegie Mansion and Miller and Fox townhouses. [2008.05.18]

VOTED that the Board of Regents approves the deaccession of the National Air and Space Museum's RB-17D *Swoose* and the object's transfer to the National Museum of the United States Air Force. [2008.05.19]

VOTED that the Board of Regents requests its Congressional members to introduce and support legislation to allow the Institution to negotiate agreements granting the lease of land at the National Zoological Park's Conservation and Research Center near Front Royal, Virginia, to nonprofit scientific, educational, or historic organizations for the purposes of building structures that advance its mission to increase scientific knowledge. Any net proceeds gained from such partnership activities and programs held on the Conservation and Research Center property will be used exclusively to support the infrastructure, research, and educational programs of the National Zoological Park, including its Conservation and Research Center. [2008.05.20]

VOTED that the Board of Regents adopts the nine recommendations detailed under Task Three of this paper. These recommendations reflect the findings of the Finance and Investment Committee from its review of the Smithsonian budget processes as required by the Regents' Governance Committee Report Recommendation 22. The Finance and Investment Committee authorizes the Secretary to begin implementing the necessary changes to fully implement each recommendation. The Finance and Investment Committee shall also work with the Board of Regents' Chair, as well as the Regents' Governance and Nominating Committee, to incorporate the Board's new and expanded duties into appropriate committees and procedures. [2008.05.21]

VOTED that the Board of Regents requires the Secretary to submit a plan, with proposed milestones and deliverables, to fully implement the nine recommendations by the end of 2010; and to report annually to the Finance and Investment Committee on the Institution's progress in implementing the recommendations, until each recommendation has been implemented. [2008.05.22]

VOTED that the Board of Regents approves the use of as much as \$2.5 million of fiscal year 2007 Central Unrestricted Trust surplus funds to support Smithsonian national campaign expenses that exceed available trust fund revenues in fiscal years 2008 through 2010. [2008.05.23]

VOTED that the Board of Regents accepts the recommendation of the Finance and Investment Committee and approves a payout rate of \$38.72 per share for all Endowment funds for fiscal year 2009. [2008.05.24]

VOTED that the Board of Regents approves the withdrawal, if necessary, of up to \$1.8 million from the National Zoological Park's unrestricted Endowment to complete the Asia Trail II Elephant Trails project. [2008.05.25]

VOTED that the Board of Regents approves the annual budget priorities proposed by the Acting Secretary. [2008.05.26]

VOTED that the Board of Regents approves the proposed revision to Section 5.02 of the Bylaws of the Smithsonian's Board of Regents for the purpose of making the Chair of the Board of Regents a non-voting, ex officio member of all Regents' committees, effective immediately. [2008.05.27]

VOTED that the Board of Regents, in accordance with the Charter of the National Museum of African American History and Culture, designates Doris Matsui as its representative on the Museum's Council, effective May 5, 2008. [2008.05.28]

VOTED that the Board of Regents adopts the recommendations set forth by the Governance and Nominating Committee and approves the specific actions described therein. The Executive Committee shall propose such Bylaw amendments as may be necessary to carry out these recommendations. In addition, the Board of Regents endorses the revised Duties and Responsibilities of Regents, General Criteria for Identifying Candidates for the Board of Regents, and General Guidelines for Appointment to Standing Committees of the Board of Regents, as proposed by the Governance and Nominating Committee. [2008.05.29]

VOTED that the Board of Regents approves the list of committee memberships, effective May 5, 2008, until the first meeting of calendar year 2009 or until further action of the Board, whichever comes first. [2008.05.30]

VOTED that the Board of Regents approves the Communications Strategy proposed by the Acting Secretary and recommended by the Governance and Nominating Committee. [2008.05.31]

VOTED that the Board of Regents approves the decision to conclude the RFQ process, not proceed to the RFP process, and explore other ideas and alternatives for use of the Arts and Industries building. [2008.05.32]