

**MINUTES OF THE
SEPTEMBER 17, 2007, MEETING
OF THE
BOARD OF REGENTS
OF THE
SMITHSONIAN INSTITUTION**



Smithsonian Institution

MINUTES OF THE BOARD OF REGENTS

September 17, 2007

ATTENDANCE

This regularly scheduled meeting of the Board of Regents was held on Monday, September 17, 2007, in the Regents' Room of the Smithsonian Institution Building. The meeting was comprised of morning and afternoon sessions. As the Chief Justice was unable to attend the morning session, Executive Committee Chair Roger Sant called the meeting to order at 9:15 a.m. Present during the meeting were:

The Chief Justice ¹	Phillip Frost ³	Doris Matsui
Xavier Becerra ²	Shirley Ann Jackson	Roger W. Sant
Eli Broad	Sam Johnson	Alan G. Spoon
Anne d'Harnoncourt	Robert P. Kogod	Patricia Q. Stonesifer
	Patrick J. Leahy	

L. Hardwick Caldwell, Chair, Smithsonian National Board

Vice President Richard B. Cheney and Senators Thad Cochran and Chris Dodd were unable to attend either session of the meeting.

Also present were:

Acting Secretary Cristián Samper
Deputy Secretary and Chief Operating Officer Sheila P. Burke
Acting Under Secretary for Science Ira Rubinoff
Under Secretary for Art Ned Rifkin
General Counsel John E. Huerta
Inspector General A. Sprightley Ryan
Director of External Affairs Virginia B. Clark
Acting Chief Executive Officer for Smithsonian Business Ventures Tom Ott
Chief Financial Officer Alice C. Maroni
Director of the Office of Government Relations Nell Payne
Director of Communications and Public Affairs Evelyn Lieberman
Special Advisor to the Regents John K. Lapiana
Senior Writer-Editor for the Office of the Secretary Barbara Feininger
Assistant to the Chief Justice Jeffrey P. Minear
Assistant to the Vice President Marie Fishpaw
Assistant to Senator Cochran T.A. Hawks
Assistant to Senator Dodd Colin P. McGinnis
Assistant to Senator Leahy Kevin McDonald
Assistant to Congressman Becerra Melody Gonzales
Assistant to Congressman Johnson David Heil
Assistant to Congresswoman Matsui Alexis Marks

¹ The Chief Justice attended the afternoon session in part, joining the meeting prior to the discussion of the proposed amendments to the Bylaws of the Board of Regents.

² Representative Becerra attended the morning session in part; he participated in the full afternoon session.

³ Mr. Frost was present for the morning session but was unable to attend the afternoon session.

The morning session of the Board of Regents adjourned for lunch at 12:00 p.m. and reconvened at 1:30 p.m. for the afternoon session. Mr. Sant briefly presided over the afternoon session until the arrival of the Chief Justice. The following matters were discussed:

MINUTES OF THE MEETING OF MAY 7, 2007

The Regents voted to approve the minutes of the May 7, 2007, Board of Regents' meeting.

*See attached Resolution 2007.09.01 (Minutes of the Board of Regents, Appendix A).*⁴

REPORT OF THE ACTING SECRETARY

Acting Secretary Cristián Samper reported that, despite the challenges of the previous six months, the overall state of the Institution is very good. Attendance across the Smithsonian museums will be up almost 9 percent this year, with about 25 million physical visits and about 150 million visits on Smithsonian web sites. Exhibitions such as the Freer and Sackler Galleries' *Encompassing the Globe* and Cooper-Hewitt's *Designed for the Other 90%* have been enthusiastically received. Science initiatives have included the publication of several high-profile papers in journals such as *Science* and *Nature* and the groundbreaking DNA barcoding project, which has successfully identified the codes of some 30,000 species and advanced the fight against malaria by decoding the DNA in mosquito larvae.

Efforts to address the Institution's facilities maintenance backlog continue and all key facilities construction initiatives are essentially on track, including the Kogod Courtyard at the Donald W. Reynolds Center, the Ocean Hall at the National Museum of Natural History, and the renovations at the National Museum of American History. The Institution has completed, ahead of schedule, the "Pod Five" expansion of the Museum Support Center in Maryland, a state-of-the-art storage facility for natural history collections preserved in alcohol.

In the last year, the Smithsonian has raised more money than in almost any of the previous five years. The Institution's fiscal year fund-raising goal of \$115 million is anticipated to be exceeded

⁴ Beginning with the September 17, 2007, meeting of the Board of Regents, all approved motions will be identified and recorded with this coding system and separately listed in Appendix A.

by at least \$25 million. Town hall meetings continue and staff morale appears to be improving.

Dr. Samper outlined the challenges he has addressed during this period, noting that media reports often have been negative, management transitions have been sudden, and Congressional hearings continue. Commercial activities and the scope of Smithsonian Business Ventures (SBV) are under review, including several SBV-related contracts. Funding for the Institution remains an overarching concern and critical attention is being expanded beyond the facilities maintenance backlog to include programming initiatives that have been impacted by the funding shortfalls of recent years.

However, positive momentum was reported in several areas. A new director has been selected for the National Museum of the American Indian, searches continue for new directors at two other museums, the reorganization of Deputy Secretary Sheila Burke's division is almost complete, and the appointments of acting under secretaries are being effected. Dr. Samper noted, however, that the process of filling some senior management positions has been impacted by the fact that the next Secretary of the Institution has not yet been selected. Some individuals have accepted senior appointments on an "acting" basis, preferring to maintain professional flexibility during this time of leadership transition. Dr. Samper also expressed his concern about how a unified compensation approach might impact the Institution's ability to attract and retain the best talent for the Institution.

Dr. Samper drew the Regents' attention to three areas of particular interest: governance reform initiatives, the fiscal year 2009 Federal budget, and the Institution's reorganization. He reported that most of the governance recommendations will be achieved by the end of the year. He also expressed his desire that forthcoming changes in Institution's accounting policies and procedures not result in policies that are excessively complex.

The Institution's Federal budget continues to be a significant concern. Dr. Samper noted that the fiscal year 2008 Federal budget will soon be announced and the proposed fiscal year 2009 budget has been submitted to OMB. The Regents discussed relations with the House and Senate. Dr. Samper pointed out that the outcome of the search for the next Secretary, the resolution of

management compensation issues, and the transparency of the Institution's governance will particularly influence future relations with, and support from, Congress.

Dr. Samper explained that the proposed fiscal year 2009 Federal budget was divided into five categories to reflect both the material needs of the Institution and the reframing of the Institution's priorities. The five categories include funding for mandatory increases for items such as salaries and rent; governance reform; the "National Treasures Initiative"; "The Core Mission: The Increase and Diffusion of Knowledge"; and facilities revitalization and the construction of new museums.

Regarding funding for governance reform efforts, Dr. Samper reported on several reform initiatives already under way. The Office of the Regents is being established and the responsibilities of the Deputy Secretary are being divided into two units during the interim period before a new Secretary is installed. The first will be overseen by an Under Secretary for History and Culture and will include all of the history, culture, and national programs and program-related activities. The second will be directed by an Under Secretary for Finance and Administration and will include the Institution's finance and administrative activities.

Dr. Samper listed five key areas that he would like to address during the remainder of his tenure as acting Secretary. A critical priority is to advance all efforts to support and resolve the fiscal year 2008 Federal budget, as a shortfall in Federal funding potentially would have dire implications for the Smithsonian. Keeping governance reform initiatives on track is a second priority. Dr. Samper also spoke of his intention to establish, by the end of the year, a comprehensive plan to address backlogs in both facilities and programming investments. The fourth priority is to complete the review of Smithsonian Business Ventures (SBV) by January 2008; Dr. Samper also noted his intention to have SBV Task Force Chair Marshall Turner present the group's preliminary recommendations to the Regents during their November 2007 meeting. The fifth priority is to move forward a Request for Qualifications to explore alternatives for the future of the Arts and Industries Building. Dr. Samper also noted his desire to accelerate improvements in the relationships and communications between the Board of Regents and the Institution's advisory boards.

Dr. Samper concluded his report by discussing his thoughts regarding the Smithsonian's future, especially with regard to projected societal trends and the role that the Institution should play in response to such changes. He encouraged the Board to consider what makes the Smithsonian and its contributions unique, as well as to consider what steps should be taken now to strengthen the Institution going forward.

REPORT OF THE EXECUTIVE COMMITTEE

Executive Committee Chair Roger Sant said that the Report of the Executive Committee provided a sufficient overview of the issues to be considered during this meeting of the Board. He added, however, that some would be reviewed at greater length during the Regents' executive session.

REPORT OF THE SMITHSONIAN NATIONAL BOARD

Smithsonian National Board (SNB) Chair Hacker Caldwell offered the written report without additional comment.

APPOINTMENTS TO SMITHSONIAN ADVISORY BOARDS

The Regents considered the nominations for appointments and reappointments to 12 Smithsonian advisory boards. Accordingly, the proposed motions were approved.

See attached Resolutions 2007.09.02 – 2007.09.13 (Minutes of the Board of Regents, Appendix A).

AMENDMENTS TO THE BYLAWS OF SMITHSONIAN ADVISORY BOARDS

The advisory boards of the Smithsonian Institution Center for Folklife and Cultural Heritage, the National Museum of the American Indian, and the Smithsonian Latino Center requested the Regents' approval of amendments to the boards' respective bylaws. The Regents' review of the proposed revisions elicited a question about the American Indian Museum's use of the word

“assets” in reference to its museum collections. Management agreed to obtain background information on this issue. The review of the proposed bylaw changes also prompted a discussion about the use of different bylaw formats throughout the Institution. The Regents agreed that a comprehensive review should be made of all Smithsonian advisory boards’ bylaws with the intention of standardizing formats and unifying strategic initiatives. This review also would support the Institution’s governance reform initiatives. The Regents expressed their support for autonomous advisory boards but also noted their obligation to provide direct oversight of some, but not all, advisory board committees. The proposed motions were then approved.

See attached Resolutions 2007.09.14 – 2007.09.16 (Minutes of the Board of Regents, Appendix A).

DESIGNATION OF WALTER E. MASSEY AS REGENT EMERITUS

The Regents considered a motion to confer the title of Regent Emeritus on Walter E. Massey. Accordingly, the proposed motion was approved.

See attached Resolution 2007.09.17 (Minutes of the Board of Regents, Appendix A).

PROPOSED SPONSORSHIPS, ENDOWMENTS, AND DONOR RECOGNITION

The Regents considered 15 papers representing donor recognition and sponsorship opportunities, as well as actions to create endowments. The Regents determined that a closer examination and articulation of the Smithsonian’s corporate sponsorship guidelines is needed. Consequently, one sponsorship opportunity was reserved for the executive session discussion. This was in addition to a 16th potential agreement that the Executive Committee had previously set aside for review during executive session. A Regent requested, and the Board supported, editorial changes to two agreements, which are reflected in their respective motions. Accordingly, 14 motions were approved by the Regents.

See attached Resolutions 2007.09.18 – 2007.09.30 (Minutes of the Board of Regents, Appendix A).

REPORT OF THE AUDIT AND REVIEW COMMITTEE

Audit and Review Committee Chair Phillip Frost presented an oral summary of the September 4, 2007, Audit and Review Committee (“the Committee”) meeting to the Regents. The Institution’s independent auditors, KPMG, gave the Committee a presentation on the fiscal year 2007 audit plan. KPMG reported that the scope of work and reporting requirements were unchanged from the prior year.

KPMG anticipates that it will meet the November 15, 2007, filing deadline for Federal reports and has agreed to deliver the completed financial statement audit by February 15, 2008. In addition, the firm will work closely with the Office of the Inspector General (IG) to share accounting internal control matters and all IG reports issued this year. As in prior years, the joint KPMG/Defense Contract Audit Agency (DCAA) audit of government grants and contracts at the Smithsonian (“the A133 Audit”) is expected to be completed after the other audits, in this case in June 2008. KPMG added that a qualified opinion was received from DCAA but said that this opinion is not considered meaningful as it was the result of an audit process technicality that is well understood in the grant community.

A Regent expressed concern about the ongoing delays in the filing of the A133 Audit, adding that universities conduct these audits using external auditors and do not encounter such problems. Chief Financial Officer (CFO) Alice Maroni agreed to find out if the Institution is limited to the use of the DCAA in the Smithsonian Astrophysical Observatory portion of the A133 Audit.

The Committee also discussed the new language the auditors have adopted to identify significant deficiencies found in the course of an audit. As the reporting standard for a “significant deficiency” (the new term for “reportable condition”) is lower, it is anticipated that the number of matters that KPMG identifies for comment and brings to the Committee’s attention may increase.

The Committee received a progress report on the Institution’s governance reform process from Special Advisor to the Regents John Lapiana. All six of the reform actions referred to the

Committee are in progress. The Committee will meet on October 2, 2007, to consider the implementation progress to date and will report its findings during the November 19, 2007, Board of Regents' meeting.

Inspector General (IG) Sprightley Ryan next reported on the activities of her office. Ms. Ryan provided detailed explanations of the reporting relationships defined in the amended Inspector General Act of 1978, including the means and schedule by which her office will report to the Regents, the Committee, and Congress. The office will continue to bring issues of potential concern promptly to the Committee and notify the chair whenever reports are taken to Congress. The Committee expressed its satisfaction regarding the terms of the reporting relationship with the Inspector General and reported that that portion of the Institution's governance reform action (item 12) is now complete. Ms. Ryan also reviewed several recently conducted audits and the current audit inventory in her office. Nine high-risk areas require audit attention, several new high-risk areas were identified, and a number of uncompleted office audits will carry forward into 2008.

Ms. Maroni then presented a financial activities update. She confirmed the audit completion dates provided by KPMG and, regarding the governance reform initiative, reminded the Committee of the open reform actions still pending. The Institution is going forward with a review of former Secretary Small's expenses for fiscal years 2006 and 2007 and has initiated a review of the tax treatment of reimbursements received by Mr. and Mrs. Small for all open tax years. Ms. Maroni noted that the Smithsonian is implementing a data security program designed to meet the purchase card industry's security compliance requirements. She added that the Committee also discussed the need for more and better qualified accounting and auditing staff. Because the greater Washington market for qualified professionals is extremely competitive and the Institution's funding resources are limited, the Institution has difficulty competing for best talent. Both the CFO and the IG will continue to report to the Committee about their respective efforts to strengthen staff resources.

Mr. Frost reported that the Committee's meeting was followed by three executive sessions, one each with KPMG, Ms. Ryan, and Ms. Maroni.

LEGISLATIVE ACTIVITIES AND ISSUES

The report on Legislative Activities and Issues did not elicit comment from the Board.

REPORT OF THE GENERAL COUNSEL

The detailed report of the General Counsel noted that from January through August 2007 there were 17 active cases, two of which were new. Eight were employment cases, two were tort claims to which the Smithsonian Institution was a named party, five cases involved contracts, one concerned intellectual property, and one was related to another matter.

General Counsel John Huerta said the Institution's potential liability in almost every case is limited. He noted that the Institution lost one employment case during this period, but added that it was only the second employment case that the Institution has lost in Federal District Court litigation in the previous 12 years.

UPDATE ON SMITHSONIAN-RELATED ACTIONS BY THE GOVERNMENT ACCOUNTABILITY OFFICE

Acting Secretary Samper reported on recent Smithsonian-related actions undertaken by the Government Accountability Office (GAO; the investigative arm of Congress). One report reviewed the Smithsonian's management structure and governance practices and the other examined the Smithsonian's real property management and security.

Dr. Samper said that the Institution already had received and responded to a draft of the GAO report on real property management and security, which was expected to be released within the next month. The report recommended increasing museum and facility directors' awareness of security issues. It also supported the Institution's self-assessment regarding the scope of its facilities problems. However, the report emphasized consideration of private funding for facilities and facilities maintenance, which was a significant departure from prior recommendations. The facilities funding issue prompted a question regarding the adequacy of the proposed 26 percent increase for facilities maintenance in the fiscal year 2008 Federal

budget. The Regents agreed to defer some of the Regents' discussion of real property management and funding until the afternoon discussion of the Facilities Revitalization Committee and the Finance and Investment Committee reports. The Regents also expressed concern about some inaccuracies in the report. Exception was taken to the report's opinions that did not acknowledge actions previously considered or taken by the Board.

A draft of the GAO report on the Smithsonian's management structure and governance practices, which was requested by Senator Dianne Feinstein (D-CA), is not expected before the end of the year. Acting Secretary Samper, Deputy Secretary Burke, and Office of Government Relations Director Nell Payne agreed that a clear direction has not yet emerged in the auditors' interviews of senior management and the Board. Concern was expressed about the fact that the GAO auditors assigned to this review appeared to have difficulty understanding the operations of the Institution, the various ways it differs from an Executive Branch agency, and how those differences are crucial to the fulfillment of its mission.

The GAO auditors appear to be broadening their review beyond the scope of the original GAO audit to include governance at the unit level, as well as consideration of the Institution's advisory boards and their relationships with both the Regents and senior management. It is assumed this is in response to the progress already made in efforts to address the governance issues identified in the Independent Review Committee and the Governance Committee reports. Dr. Samper reiterated his earlier comments about the importance of accelerating the engagement of the Institution's advisory boards with both unit management and the Board of Regents. The Regents also noted their interest in enhancing relations between units and central management, as well as developing more consistent expectations of the Institution's advisory boards while supporting the autonomy of both the boards and their units.

THE SMITHSONIAN SEMESTER IN CONSERVATION SCIENCE

The Acting Secretary introduced an overview of the proposed extension of a non-exclusive joint venture between the National Zoological Park (NZIP) and George Mason University (GMU). Since the late 1980s, the NZIP and GMU have partnered to provide exceptional opportunities in

graduate-level conservation education at the Zoo's Conservation and Research Center (CRC) in Front Royal, Virginia. In January 2008 the program will be expanded to include a pilot interdisciplinary residential program for undergraduate conservation science education and scientific literacy at the CRC. The success of the partnership also has engendered the long-term goal of creating a CRC-based conservation science education facility that will be world-recognized for its ability to advance biodiversity conservation through educational initiatives.

The Regents' discussion of the initiative included questions about the exclusivity of the partnership, as well as concern about the need for the Regents to provide adequate direction regarding new initiatives during a period of uncertainty about existing finances. Dr. Samper emphasized that the *Smithsonian Semester* is a non-exclusive partnership agreement that does not limit the Institution's ability to work with other institutions or organizations. He also assured the Regents that the purpose of the agenda paper was to offer a "heads-up" to the Regents and that they would receive a comprehensive report on the project's long-term plan upon its completion.

Using this initiative as an example, the Regents considered the implications of continuing to launch disparate programs prior to developing a more focused, overarching framework and resource model. The Regents discussed the need to engage in a larger review of the Institution's programming commitments in order to assure that each maximizes and leverages existing assets, including intellectual resources, and remains relevant to the Smithsonian's objectives.

MATHIAS LABORATORY RENOVATION AND TRAILER REPLACEMENT PROJECT

The Regents next considered a proposed motion to ask the Congressional Regents to seek Congressional authorization for fiscal year 2009 Federal funding to develop plans to renovate and replace research facilities at the Smithsonian Environmental Research Center (SERC) in Edgewater, Maryland. The Mathias Laboratory Renovation and Trailer Replacement Project would replace decrepit trailer facilities that present immediate safety concerns and compromise the critical research initiatives conducted at the facility. It also would offer a 52,000-square-foot replacement laboratory that would be integrally connected with a modified existing structure

(Mathias Laboratory). The renovated facility would provide an operationally efficient and environmentally sustainable laboratory facility designed to accommodate SERC's world-class research programs.

The proposal generated a discussion about the status of this initiative in relation to the Institution's overall facilities maintenance plan, as well with respect to other facilities initiatives that require legislative support. The Regents also discussed at length the process by which Congressional support is solicited.

The Regents were assured that the Mathias Laboratory Renovation and Trailer Replacement Project is indeed part of the Institution's long-term master plan and not a new project. When asked if the Mathias Lab proposal should be included in the report of the Facilities Revitalization Committee, Ms. Burke made clear the initiative does not clearly fall under facilities maintenance and that planning could not advance without Congressional authorization. To enhance the legislative viability of the proposal, it was strongly suggested it be contextualized within the Institution's matrix of facilities funding requests and, in particular, those that address immediate health and safety issues. The Regents also agreed that the facility's compromised research capabilities undermine its mission-critical responsibilities and offer another compelling reason to seek Congressional support.

A number of Regents, however, took issue with the process by which this proposal was to be presented to Congress. In the past, similar proposals often did not include Congressional input during their initial development. The Regents, however, agreed that the early involvement of legislative stakeholders is especially important during this time of uncertain Congressional support and restricted funding. Gathering input from the authorizing committee chair, the ranking member, and the Maryland delegation would strengthen the ownership and presentation of, as well as cultivate support for, the proposal. Moreover, engaging Congress early in the development of this proposal was seen as an opportunity to forge a closer relationship with Congressional leaders. However, it also was agreed that this consultation process should not lead to a surrender of the Institution's ability to govern the prioritization of its needs.

The Regents also considered the relative merits of presenting a single bill that would include funding for both the planning and the subsequent construction of projects versus the submission of two bills, one for planning funding and another for design and construction. It became clear that Congress itself is of divided opinion on this procedural issue. The Regents determined that this proposal would be best served by revising the proposed motion to only begin the process to introduce and support legislation to authorize the design and construction of the project. Accordingly, a revised motion was approved by the Regents.

See attached Resolution 2007.09.31 (Minutes of the Board of Regents, Appendix A).

REPORT OF THE FINANCE AND INVESTMENT COMMITTEE

The report of the Finance and Investment Committee (“the Committee”) was presented by Committee Chair Eli Broad, who summarized the Committee’s August 21 and September 11, 2007, meetings. The Regents reviewed the agenda items addressed by the Committee, including the proposed fiscal year 2009 Federal budget submitted to OMB. Discussions of the proposed 2009 budget, which was approved by the Committee in August, occurred during both the morning and the afternoon sessions of the Regents’ meeting and prompted renewed consideration of certain agenda items, the revision of certain proposed motions, and the proposal of process-related initiatives. These discussions were not always sequential, but are presented as such in these minutes for purposes of clarity.

Mr. Broad gave a progress report on the implementation of Governance Reform Action Item No. 22, which is intended to strengthen both the Committee’s and the Board’s engagement in the Institution’s budgeting process. He said that management is committed to identifying the key events or opportunities that would benefit from the Regents’ direct involvement or approval, such as revising the budget development timetable to facilitate enhanced Regent participation.

Mr. Broad reported that the Committee received a proposal to refinance the Discovery Center’s debt from Treasurer Sudeep Anand during its September meeting. The Committee agreed to recommend for the Regents’ consideration a proposal to refinance the Discovery Center debt with a variable rate tax-exempt debt. Accordingly, the Regents approved the motion.

See attached Resolution 2007.09.32 (Minutes of the Board of Regents, Appendix A).

Mr. Broad also updated the Regents on the Finance and Investment Committee's consideration and subsequent proposal of a motion to transfer \$70 million from the Institution's short-term portfolio to the Endowment. The funds are primarily comprised of proceeds from the sale of the Victor Building, as well as other one-time real estate and business transactions. The proposed transfer is intended to increase, for the Institution's future use, the funds' return.

The Regents carefully considered the language of the proposed motion with regard to its intended outcome and agreed that the information paper for the proposed motion did not make clear that the intended purpose of the funds is for long-term purposes, as determined within the sole discretion of the Regents. The Regents agreed to revise the motion to note that the funds will be invested, not transferred, into the Endowment for the future needs of the Institution. In discussion, they noted that annual income earned on the amount invested, as determined by the annual pay-out, would be available at the discretion of the Acting Secretary for the immediate needs of the Institution. Accordingly, the revised motion was approved.

See attached Resolution 2007.09.33 (Minutes of the Board of Regents, Appendix A).

During the Committee's September meeting, Director of Investments Amy Chen summarized the ongoing efforts of the Investment Committee (a subcommittee of the Finance and Investment Committee) to implement its fixed income, absolute return, and private equity strategies; actualize its staffing and infrastructure plans; and formulate its public information strategy. Ms. Chen also stated that, as of July 31, 2007, the Endowment's assets totaled \$975 million and that it had achieved a 15.1 percent calendar year-to-date return on the absolute return investments versus its benchmark return of 8.4 percent. She also reported a 10 percent five-year return on Endowment returns versus its 5.5 percent long-term investment objective.

Representing Investment Committee Chair David Silfen, who was unable to attend this Regents' meeting, Ms. Chen gave a presentation on the Endowment to the Board. As the Endowment is a permanent fund intended to generate a reliable source of growing funds for the Institution's operations, Ms. Chen addressed four areas that are key to understanding and assessing its

administration: its management, its performance, the strategies employed to manage it, and the plans for its future.

Ms. Chen outlined the major changes that have occurred in the management of the Endowment in recent years. A separate Investment Committee was formed to provide specialized oversight; the Office of Investments was established and its staff augmented; and a long-term policy portfolio was adopted to reduce the portfolio's volatility and to enhance returns. In addition, emerging markets was added as a separate asset class and three new alternative asset classes were added: absolute return, private equity, and real assets. Ms. Chen explained the respective responsibilities of the Investment Committee and the Office of Investments, noting that the Committee is responsible for determining the policy and selection of fund managers and that staff is responsible for vetting all investment decisions, making recommendations, and implementing decisions.

Illustrating the successful efforts of the Investment Committee and staff to diversify strategies and asset classes, Ms. Chen said that from October 2005 to December 2006 the Endowment increased by \$114.8 million, of which \$13 million could be attributed to explicit restructuring decisions. The Endowment's management enabled it to both exceed policy benchmarks and weather recent market volatility.

Future plans for the Endowment include continuing to build out the private equity and venture capital portfolio, as well as to expand the real asset portfolio. Ms. Chen said that the Endowment is transitioning to a new custodian and that its infrastructure is being developed. She added that the future success of the investment portfolio will be dependent upon continuing to develop strong governance structures, establishing and implementing sound policies and objectives, securing adequate implementation capabilities, and developing a systematic approach to performance measurement and evaluation.

In response to a question, Ms. Chen assured the Regents that a summary of the Investment Committee's investment philosophy, objectives, governance, guidelines, and practices is being developed and reviewed for public distribution, including the Web. The summary also will

include an explanation of the Institution's use and management of alternative investments in the management of its Endowment.

Mr. Broad next reported that Chief Financial Officer Alice Maroni had provided the Committee with an update on the Institution's financial health, as well as presented the fiscal year 2008 budget. The Institution had a good year financially in fiscal year 2007: fund raising is expected to exceed budget; the Endowment, with the \$70 million investment of funds from the short-term portfolio, is anticipated to reach about \$1 billion; income for retail businesses is essentially on target; and the unrestricted Trust budget is forecast to have a modest surplus.

Regarding fiscal year 2008, the Board was reminded that Congress had not yet provided the Institution with its appropriation and that the Institution would likely be operating under a Continuing Resolution at the start of, and perhaps well into, the new fiscal year. The Senate approved the Institution's full budget request and added \$18 million for facilities, as well as a small amount for two additional accountants and one additional auditor. The House of Representatives, however, only approved a \$9 million increase in funding for facilities and in fact proposed a reduction of \$35 million for operations funding. Regardless, Mr. Broad said that management remained cautiously optimistic that the Senate's position would prevail in response to the considerable progress the Smithsonian has made on its governance reform agenda. He also pointed out, however, that although the fiscal year 2008 budget request includes an increase of \$14 million for facilities capital (as well as \$52 million in maintenance funding in the Salaries and Expenses account), it still falls about \$100 million short of what is actually needed to address the Institution's facilities needs.

The Board then considered and approved two motions proposed by the Finance and Investment Committee regarding the fiscal year 2008 budgets for appropriated and Trust funds.

See attached Resolutions 2007.09.34 and 2007.09.35 (Minutes of the Board of Regents, Appendix A).

Mr. Broad reported that the Committee had received an update on the Institution's major real estate transactions, as well as a draft of Smithsonian Business Ventures' (SBV) capital

investment plan. Treasurer Sudeep Anand told the Committee that the preliminary plan for SBV capital commitments in fiscal year 2008 totals \$3 million and that there are no major projects with commitments in excess of \$500,000 in the plan. SBV's estimated capital investment in 2008 is about \$7.1 million. The cash expenditures are substantially higher than the commitments because the bulk of the \$4.5 million committed in fiscal year 2007 (for new stores and restaurants at the National Museum of American History) will be spent in fiscal year 2008. Mr. Broad noted that the Finance and Investment Committee had approved the SBV capital investment plan and that its final review and approval by the Smithsonian Business Ventures Board is scheduled for September 19, 2007.

Regarding the fiscal year 2009 Federal budget proposed to OMB, Mr. Broad said that Office of Planning, Management, and Budget Director Bruce Dauer had presented the proposed budget for the Committee's approval during its meeting in August. The \$841 million request is \$163 million, or 24 percent, more than the fiscal year 2008 appropriation request.

Mr. Broad explained that the Institution had structured its proposed fiscal year 2009 request to reflect management's desire to achieve more balance between facilities and program funding. In support of this measure, the proposed budget is grouped into five major categories: funding for non-discretionary funding requirements; support for governance and oversight initiatives; funding for the stewardship of national treasures; monies to advance the increase and diffusion of knowledge; and funding for the development of the National Museum of African American History and Culture.

The fiscal year 2008 request to OMB sought, but did not receive, a \$94 million facilities maintenance budget that met the full minimum industry standard of 2 percent of the replacement value of facilities. In contrast, the proposed fiscal year 2009 request for facilities maintenance was reduced to \$76 million. The fiscal year 2009 request also includes \$168 million for facilities capital funding in support of such projects as the conversion of one of the Museum Support Center's pods to accommodate art and anthropology collections storage space, the replacement of the Institution's greenhouses, and the implementation of security improvements. It also includes \$44 million in programmatic increases for initiatives such as the design and

construction of a next-generation telescope that will explore the origin and evolution of the universe and the research and monitoring of global forests in order to measure the impact of global climate changes on forest organisms.

It was noted that the fiscal year 2009 budget is based upon a projected fiscal year 2008 appropriation, as Congress has yet to act upon it. If the fiscal year 2008 appropriation from Congress is less than anticipated, the Institution's proposed fiscal year 2009 budget would in fact reflect an even greater increase over the prior year's appropriation. The Regents then discussed the rationale behind the submission of a proposed budget that is significantly higher than the appropriation that the Institution projects that it will receive.

Deputy Secretary Burke explained that the approach mirrors the strategic process followed by all Executive Branch agencies in recent years. The Institution first receives budgeting guidance from OMB, which has typically recommended funding on a limited increase at best. In response, the Institution, with the Regents' support, has submitted budgets to OMB that better represent actual need. (Over the past four years the Institution's proposed budgets to OMB have reflected, on average, a 23 percent increase from the prior year's appropriation.) The Institution's budget is then negotiated with OMB, prior to its submission to Congress. In recent years this process has resulted in Congressional budget requests that have averaged a 5 percent increase over the prior year appropriation — a figure that is higher than that for most Federal agencies. However, given the Federal budget deficit and the ongoing commitment of Federal resources to the war on terror, it is anticipated that the forthcoming negotiation of the fiscal year 2009 Federal budget will be especially difficult.

Regardless, several Regents questioned if the proposed fiscal year 2009 Federal budget should be revised to include additional funding for facilities maintenance, as it currently does not reflect the full minimum industry standard of 2 percent of the replacement value of facilities. The desire to establish a more deliberate balance between facilities maintenance and programmatic budget requests was again reviewed.

The discussion of possible revisions to the proposed fiscal year Federal 2009 budget prompted a series of conversations about the development process for future budgets. Mr. Sant explained that because of the schedule predetermined by OMB, the proposed fiscal year 2009 Federal budget had already been submitted. In response, the Regents agreed that the proposed motion regarding the fiscal year 2009 budget would need to be modified to note that the Board was ratifying, not approving, the proposed budget that was submitted under the guidance of the Finance and Investment Committee. The Regents also expressed their firm desire to be included in the early development of future budgets. A new motion was introduced that, prior to the submission of future proposed budgets to OMB, the Board be formally engaged in their examination and ratification and that the Finance and Investment Committee and the Secretary determine the best means to do so. Despite strong support for the proposed motion, the discussion did not culminate in a vote.

The Regents also were told that, because of the Institution's history of submitting budgets in excess of OMB's recommendation, the OMB examiner had expressed a desire to meet with at least some of the Regents prior to the submission of the proposed fiscal year 2010 budget. An additional guideline for the budgeting process then was proposed. The Regents agreed that the budgeting process would benefit greatly from the development and presentation of the budget's objectives in the first half of each year, instead of in conjunction with the submission of the proposed budget to OMB each fall. This action would allow more time to develop critically needed outside support for the Institution's needs. It was noted that the chair of the Finance and Investment Committee had already expressed interest in working with the Secretary on the development, early in the year, of the Institution's goals and budget.

The Regents continued to discuss how to structure a budget that accurately reflects the full needs of the Institution, including facilities maintenance issues, while being mindful of the political considerations that could affect its review by both OMB and Congress. Although the Regents agreed that the proposed fiscal year 2009 Federal budget reflects the Institution's commitment to better balance monetary and intellectual support for its facilities and programmatic needs, specific concerns again were raised about the adequacy of the funding request for facilities maintenance. A Regent also noted that any current budget for facilities maintenance will likely

be increased in response to the forthcoming business plan on the Facilities Revitalization, which is under development by that Committee.

The Board questioned if the renewed emphasis on programming might possibly undercut hard-won prior support for the Institution's facilities issues, such as that received from the President in the last year, and consequently might jeopardize future funding for facilities capital initiatives. The Regents discussed the relative merits and drawbacks of going back to OMB with a revised budget that better reflects the Institution's real facilities needs. As OMB typically advises the submission of flat budgets, concern about a potentially negative reaction from OMB was expressed.

The Board affirmed its belief that funding for the Institution's facilities' maintenance is the responsibility of the Federal government. However, the Regents also acknowledged that Congress will not assume full responsibility for the maintenance of Smithsonian facilities. Instead of revising the request for facilities maintenance in the proposed fiscal year 2009 Federal budget, the Regents determined to revise the motion to state that the Board ratifies with strong reservation the proposed fiscal year 2009 Federal budget as the Regents believe that it would under-fund the Institution's facilities maintenance needs by at least \$25 million. Accordingly, a revised motion was approved by the Regents.

See attached Resolution 2007.09.36 (Minutes of the Board of Regents, Appendix A).

PROPOSED AMENDMENTS TO THE BYLAWS OF THE BOARD OF REGENTS

Proposed amendments to the Bylaws of the Board of Regents were submitted to the Board 30 days in advance of the Regents' meeting and reviewed during the morning executive session. In the afternoon, Shirley Ann Jackson, chair of the Regents' Governance and Nominating Committee, highlighted three sections for the Regents' particular attention: Section 4.03, in which the Nominating Committee is renamed the Governance and Nominating Committee; Section 4.04, in which the Facilities Revitalization Committee is created; and Section 5.02, in which a new position, Chair of the Board, is created and the respective responsibilities of the Chancellor and the new Chair are delineated. In addition, the proposed bylaws expand the

responsibilities of the Chief Financial Officer and the General Counsel to include mandatory attendance at all meetings of the Board of Regents and its committees and the obligation of both officers to bring appropriate matters to the Regents. Also, the General Counsel is now tasked with preparing and keeping minutes of the meetings of the Board and Regents' committees. Accordingly, the proposed motion was approved by the Regents.

See attached Resolution 2007.09.37 (Minutes of the Board of Regents, Appendix A).

REPORT OF THE FACILITIES REVITALIZATION COMMITTEE

The chair of the Facilities Revitalization Committee, Robert Kogod, reported on the activities of the newly created standing committee and its predecessor, the *ad hoc* Facilities Revitalization Committee (both hereafter "the Committee"). Mr. Kogod reminded the Regents that the *ad hoc* Committee was created in 2005 to address the Institution's pending \$2.3 billion funding shortfall for facilities revitalization and maintenance, which was validated in the 2005 reviews by both the National Academy of Public Administration and the Government Accounting Office in the year 2005.⁵ He reminded the Board of the Committee's aggressive exploration of viable options to address this funding shortfall, as well as its conclusion that the Institution is unable to raise sufficient funds to address facilities maintenance problems.

As the Committee also concluded that these issues are the responsibility of the Federal government, a number of meetings were held with several Congressional oversight committees, as well as one strategic meeting with President Bush. Although the President expressed his support for increased Federal funding, the Congressional meetings were ultimately not successful and the funding issue remained unaddressed by the Federal government.

Mr. Kogod then spoke of the effect of the Institution's recent leadership and governance problems on the facilities maintenance funding shortfall. One positive outcome of that crisis was the June 2007 creation of a standing Regents' committee tasked with addressing the critical facilities maintenance issues. In addition to Mr. Kogod, the standing Committee, which first met

⁵ The September 2007 GAO report "Smithsonian Institution: Funding Challenges Affect Facilities' Conditions and Security, Endangering Collections" revised the Institution's facilities maintenance and revitalization funding shortfall to \$2.5 billion.

on September 4, 2007, consists of Congressional Regents Xavier Becerra, Thad Cochran, Sam Johnson, and Patrick Leahy; citizen Regents Roger Sant and Patricia Stonesifer; and Richard Darman.

The first meeting of the new standing committee was characterized as constructive and productive. The Committee reviewed a draft set of the Committee's Charter and Bylaws and will receive a final draft before the Regent's November 2007 meeting. Mr. Kogod noted that he had requested a legal opinion regarding the Federal government's history and responsibility in relation to the Institution's facilities maintenance funding. Although that opinion is still under review, Mr. Kogod said that it is clear that, although the Federal government bears major responsibility for this issue, it is not prepared to fully fund the repair of the Smithsonian's facilities. Mr. Kogod also explained that the Office of Facilities Engineering and Operations (OFEO) had provided an excellent matrix that outlined the Institution's facilities maintenance issues and prioritized the problems. Mr. Kogod noted that priorities one and two, as presented by OFEO, comprise about \$1.5 billion of the \$2.5 billion facilities maintenance funding shortfall, the most recent estimate of the shortfall. Mr. Kogod stressed the critical importance of providing key stakeholders with information about the Smithsonian's facilities maintenance crisis that is both in-depth and accessible.

The Committee reviewed the numerous funding and financing options that have been explored to fund this shortfall and confirmed that no one option alone would sufficiently address the problem. The Committee also discussed the general principles that must guide any actions undertaken and agreed that a "do no harm" approach must govern all decisions, that Congress must be regularly consulted, and that initiatives will not be pursued if they result in limited benefit. To facilitate relationships with members of Congress, Director of Government Relations Nell Payne is providing the Committee with legislative overviews of Congressional committees, members, and their staffs. Mr. Kogod noted that it is clear that Congressional consensus does not exist regarding the degree of Federal responsibility for the Smithsonian's facilities maintenance issues. He added that the Committee's primary responsibility is to develop consensus in support of a successful private/public partnership that presumes Federal responsibility for the majority of the Institution's facilities maintenance funding.

Mr. Kogod also reviewed key aspects of the draft Government Accountability Office's (GAO) report on the Smithsonian's real property management and security, which was received on September 3, the day before the Committee's meeting. He noted that the GAO updated the funding shortfall to \$2.5 billion over the next six, not nine, years. The draft report also said that the Institution should increase unit directors' awareness of security issues, add information on privately funded projects to the capital plan, and more comprehensively analyze funding options for facilities projects and report to Congress and OMB on a funding strategy.

Mr. Kogod said that the GAO made clear that the Board of Regents is expected to play a major role in addressing the Institution's facilities funding shortfall. He then outlined the key activities the Committee will undertake within a very short timeframe. Senator Dianne Feinstein will receive a status report on the Committee's efforts on November 7, 2007; the Committee will also continue to consult with other key Congressional stakeholders. The Committee will hold one or two additional meetings before the November Regents' meeting, at which time its strategic plan will be presented to the Board for its approval.

The Committee believes that the development of a comprehensive and effective strategic plan must address funding for both facilities revitalization and programming. Mr. Kogod noted that the Office of External Affairs has expressed its support for the creation of a larger fund-raising campaign based on a matching government/private/public partnership. He added that its creation should include input from individual units, not just central management. Mr. Kogod closed his presentation by emphasizing that the Regents' support was of critical importance and would greatly determine the success of the Committee's efforts to secure the Federal government's support for the Institution's baseline facilities revitalization needs.

REPORT OF THE GOVERNANCE AND NOMINATING COMMITTEE

The chair of the Governance and Nominating Committee ("the Committee"), Shirley Ann Jackson, presented the Committee's report. Dr. Jackson said that the Committee had held three meetings since the Regents' June 2007 meeting, during which the Board adopted the Committee's governance recommendations. The Committee continues to oversee and coordinate

the implementation of the recommendations. Although the Regents were scheduled to review certain governance and nomination issues during executive session, Dr. Jackson highlighted several issues for the Board's consideration during this portion of the meeting.

Dr. Jackson noted that the governance scorecard, which reports the progress on the implementation of each governance recommendation, is posted on the Smithsonian's public website and updated monthly. She said that the implementation of the recommendations is on schedule: 12 of the original 24 recommendations have been fully implemented and two in part.

The Committee provided the Regents with proposed criteria for the nomination of citizen Regents and proposed improvements to the appointment process for committee chairs and members. Dr. Jackson pointed out that, among other things, the Committee recommends giving special consideration to Board candidates who have served on a museum advisory board, identifying candidates with nonprofit or corporate governance experience, and seeking candidates with business, financial, or investment experience. The Committee also proposed specific guidelines regarding committee memberships; citizen Regents' chairmanship of Regents' committees; and measures to increase expertise within Regents' committees. Dr. Jackson added that these guidelines will be reviewed at least once a year in conjunction with the Board's and committees' self-evaluations.

Dr. Jackson next reported on the Committee's comprehensive review of the structure and composition of the Board, as well as the relationships between the Board and the Institution's advisory boards. She said that a Request for Proposal (RFP) had been issued to obtain outside expertise in nonprofit and public-sector governance and that a report of this review will be issued in December 2007. She also said that the Committee will be examining issues of corporate sponsorship, advisory boards' conflict-of-interest policies, and effective advisory board self-examination practices. In closing, Dr. Jackson reported on the Committee's ongoing discussions with Congress, including anticipated meetings with the House Appropriations Committee's leadership.

REPORT OF THE COMPENSATION AND HUMAN RESOURCES COMMITTEE

Patricia Stonesifer, the chair of the Compensation and Human Resources Committee (“the Committee”) said that the Committee had been working on several critical issues, some of which would be discussed during executive session. The Committee has addressed a proposed package for the next Smithsonian Secretary. In addition, it has responded to the call for a unified compensation philosophy and practices and developed proposed changes to the Institution’s leave policy for senior executives. The Regents decided to hold further discussion on these initiatives until executive session.

REPORT OF THE *AD HOC* SEARCH COMMITTEE FOR THE 12TH SECRETARY OF THE SMITHSONIAN INSTITUTION

Alan Spoon, the chair of the *ad hoc* Search Committee for the 12th Secretary of the Smithsonian (“the Committee”), gave a progress report on the Committee’s activities. Since the May 2007 launch of the search for the next Secretary, the Committee has held several meetings, both in person and by teleconference; secured the services of executive consultant firm Isaacson, Miller; established a framework for the search process; developed a working description of the desired skills and qualities of the next Secretary and articulated an overview of the anticipated challenges that person will likely face; created a “charge” statement for the Regents’ approval; and continued to seek internal and external input on all aspects of the search process.

Mr. Spoon reported that, in addition to the evening’s scheduled meeting of the Committee, a second open meeting was to be held that afternoon to allow staff to offer their comments and ask questions regarding the search process and the profile for the next Secretary. Along with these public meetings, the Committee has been conducting meetings with leadership groups throughout the Institution, such as the Congress of Scholars, in a concerted effort to solicit input that will help shape the search process. He added that this portion of the three-part search process is the “listening” phase and that one of the products of this stage was the creation of a draft “scoping” document that outlines both the anticipated challenges that the next Secretary will face, as well as the desired traits that will enable that person to effectively address these critical issues.

Mr. Spoon said that the search process was entering into its second phase, during which the Committee will begin to actively consider potential candidates and, by necessity, become more discreet in its actions. He added that the process of considering actual persons against the draft scoping document will enable the Committee to assess the document's effectiveness. In December, the Committee will conclude the second stage of the search process when it selects a final list of people to interview. Candidate interviews, which will be conducted in January 2008, will comprise the third stage of the search process.

Mr. Spoon then asked the Board for feedback about certain aspects of the search process, including the Committee's articulation of anticipated challenges facing the Smithsonian and the Committee's determination to present one candidate to the Board for its approval. Mr. Spoon strongly encouraged the Regents to review carefully the scoping document's list of anticipated challenges and desired qualifications with respect to the fact that the final document will publicly communicate the Regents' vision and priorities for the Institution. The document outlined the qualities deemed critical to the success of the next Secretary, such as the ability to advance the intellectual mission of the Institution, build public trust, inspire staff, cultivate programmatic and professional diversity that reflects the breadth of American culture, advance both public and private fund raising, and strengthen administrative services in support of the Institution's mission and programs. Mr. Spoon emphasized the Committee's conviction that a commitment to, as well as demonstration of, intellectual advancement is of paramount importance.

The Regents were uniform in their support for the draft scoping document, noting that it provided an eloquent, insightful, and transparent overview of the challenges facing the Smithsonian. They also agreed that it conveyed the seriousness, as well as the excitement, of the search process. Mr. Spoon thanked them for their comments and reiterated that the draft document would receive further review from key stakeholders, such as senior staff, before its release in the next few weeks, which will include a posting on the Institution's public website.

The Regents then returned to the Committee's charge and, in particular, the issue of whether the Committee should present one or several final candidates to the Board for its approval. After much discussion about the relative merits and drawbacks of both approaches, the Regents agreed

that the Committee would modify its charge to state that the Regents would receive information about the Committee's recommended candidate along with a ranked list of finalists in preferred order, as well as descriptions of the decision-making process by which the proposed candidate was selected. The Regents were assured that the Committee will continue to seek guidance and input at all stages of the search process. The critical need to maintain the confidentiality of the search process was also reemphasized.

INTRODUCTION OF NEW AGENDA ITEM: RECOGNITION OF DEPUTY DIRECTOR AND CHIEF OPERATING OFFICER SHEILA BURKE

As the Board was about to enter its executive session, Mr. Sant introduced a motion to recognize the outstanding contributions of departing Deputy Secretary and Chief Operation Officer Sheila Burke, whose service to Smithsonian was scheduled to conclude at the end of the month.

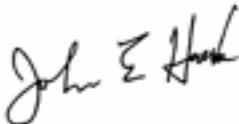
Although Ms. Burke was not present to receive this acknowledgment, the Board expressed, and Acting Secretary Samper reiterated, their profound gratitude for her guidance, professionalism, and generous support during this critical juncture in the Institution's history. The motion was unanimously approved.

See attached Resolution 2007.09.38 (Minutes of the Board of Regents, Appendix A).

EXECUTIVE SESSION

The plenary meeting of the Board of Regents concluded at 3:37 p.m., after which the Regents met in executive session.

RESPECTFULLY SUBMITTED,



JOHN E. HUERTA
RECORDING SECRETARY AND GENERAL COUNSEL

MINUTES OF THE BOARD OF REGENTS

September 17, 2007

APPENDIX A APPROVED RESOLUTIONS

VOTED that the Board of Regents approves the Minutes of the Meeting of May 7, 2007, as circulated on September 11, 2007. [2007.09.01]

VOTED that the Board of Regents appoints Edward Ogden Cabot, Martha Fleischman, and Diane Albitol Fogg and reappoints Arthur Cohen, Ruth Feder, Tommy LiPuma, Marla Prather, and Donna Kemper Rosen to the Board of Trustees of the Archives of American Art for three-year terms effective immediately. [2007.09.02]

VOTED that the Board of Regents reappoints C. Kurt Dewhurst, Anthony Gittens, Debora Kodish, Libby O'Connell, and Robert Santelli to the Advisory Council of the Center for Folklife and Cultural Heritage for three-year terms effective October 1, 2007. [2007.09.03]

VOTED that the Board of Regents appoints Marilyn Friedman, Miki Naftali, and Lisa Roberts and reappoints James Rosenthal to the Board of Trustees of Cooper-Hewitt, National Design Museum for three-year terms effective immediately. [2007.09.04]

VOTED that the Board of Regents appoints Wesley G. Bush, Edsel B. Ford II, Rodney R. Lewis, Jack J. Pelton, and Matthew C. Weisman to the Board of the National Air and Space Museum for three-year terms effective October 2007. [2007.09.05]

VOTED that the Board of Regents appoints Ellsworth Brown, James Horton, and Vicki Ruiz to the Board of Directors of the National Museum of American History, Kenneth E. Behring Center for three-year terms effective October 5, 2007. [2007.09.06]

VOTED that the Board of Regents appoints Timothy E. Wirth and reappoints Roger W. Sant to the Board of the National Museum of Natural History for three-year terms effective immediately. [2007.09.07]

VOTED that the Board of Regents appoints Manley Begay, Jr., Roberta Leigh Connor, Cheryl Crazy Bull, Catherine Fowler, George Gund III, Eric J. Jolly, and José Zárata to the Board of Trustees of the National Museum of the American Indian for three-year terms effective January 1, 2008. [2007.09.08]

VOTED that the Board of Regents appoints Nicholas G. Carter to the Council of Philatelists of the National Postal Museum for a two-year term effective immediately. [2007.09.09]

VOTED that the Board of Regents appoints Susan A. Mars and Stuart L. Pimm and reappoints Camilla Jenkins to the National Zoological Park Advisory Board of the National Zoo for three-year terms effective immediately. [2007.09.10]

VOTED that the Board of Regents appoints Terence F. Smith to the Advisory Board of the Smithsonian Environmental Research Center for a three-year term effective immediately. [2007.09.11]

VOTED that the Board of Regents appoints Ronald J. Monark to the Smithsonian Institution Libraries Board of the Smithsonian Institution Libraries for a three-year term effective January 1, 2008, and appoints Michael J. Cromwell III to the Smithsonian Institution Libraries Board for a three-year term effective immediately. [2007.09.12]

VOTED that the Board of Regents appoints Gilberto Cárdenas and Lionel Sosa to the Smithsonian National Latino Board of the Smithsonian Latino Center for three-year terms effective immediately. [2007.09.13]

VOTED that the Board of Regents approves the proposed revisions to the Bylaws of the Advisory Council of the Smithsonian Institution Center for Folklife and Cultural Heritage. [2007.09.14]

VOTED that the Board of Regents approves the proposed revisions to the Bylaws of the Board of Trustees of the National Museum of the American Indian. [2007.09.15]

VOTED that the Board of Regents approves the proposed revisions to the Bylaws of the Smithsonian National Latino Board of the Smithsonian Latino Center. [2007.09.16]

VOTED that the Board of Regents confers the title of Regent Emeritus on Walter E. Massey with heartfelt gratitude for the outstanding service he has provided to the Smithsonian Institution. [2007.09.17]

VOTED that the Board of Regents recognizes the generosity of the Soil Science Society of America and the Agronomic Science Foundation to the National Museum of Natural History and accepts the terms of this sponsorship agreement. [2007.09.18]

VOTED that the Board of Regents recognizes the generosity of A&E Television Networks and its subsidiary The History Channel to the National Museum of Natural History's Ocean Initiative and accepts the terms of this sponsorship agreement. [2007.09.19]

VOTED that the Board of Regents recognizes the generosity of Edward P. and Rebecca Rogers Henderson to the National Museum of Natural History and gratefully approves the creation and naming of the Edward P. Henderson and Rebecca Rogers Henderson Mineral Fund, an endowment from which proceeds shall be used to acquire mineral specimens and to support the mineral collection maintained and housed in the Washington, D.C., area and the work performed by Museum staff. In addition, expenditures of the endowment shall be made at the discretion of the curators in charge of the Minerals Collection. [2007.09.20]

VOTED that the Board of Regents recognizes the generosity to the Smithsonian American Art Museum of the late Raymond J. Horowitz, and gratefully creates and names the Raymond J. Horowitz Endowment, the proceeds of which shall support exclusively scholarship, research, exhibitions, and/or publications by the Museum for the purpose of encouraging new insight and scholarship in American art from its beginnings through the end of the American Impressionist Era. [2007.09.21]

VOTED that the Board of Regents approves the creation and naming of an endowment to support the National Museum of the American Indian's advanced training program in conservation. The endowment shall be named the National Museum of the American Indian Endowment for the Advanced Training Program in Conservation. [2007.09.22]

VOTED that the Board of Regents approves the creation and naming of the A. Stanley Rand Fellowship Endowment at the Smithsonian Tropical Research Institute, an endowment named in memory of the STRI senior scientist. The proceeds of this endowment shall support pre- and post-doctoral STRI fellowships for researchers in the tropics. Further, the Board authorizes the transfer of funds identified for this endowment. [2007.09.23]

VOTED that the Board of Regents approves the creation and naming of the Gwendolen Rochester Leighty Endowment for the Smithsonian Institution Libraries, an endowment named in memory of the late Libraries staff member, the proceeds of which may be used for the acquisition of books, journals, and electronic databases, preservation activities, and other programmatic needs, as determined by the director of the Libraries. Further, the Board authorizes the transfer of funds identified for this endowment. [2007.09.24]

VOTED that the Board of Regents approves the creation of an endowment for the Smithsonian Center for Education and Museum Studies, the proceeds of which will fund the Center's annual Smithsonian Education Awards Program. Further, the Board authorizes the transfer of funds identified for this endowment. [2007.09.25]

VOTED that the Board of Regents recognizes the generosity of Margaret H.P. Nuttle to the National Museum of the American Indian and gratefully approves the naming of the Barksdale Dabney Patrick Henry Family Fund, a research fund that will enable the Museum's research staff to expand the body of scholarly knowledge on American Indians' contributions to the formation of American democracy, culture, and identity, from colonial days to the present. [2007.09.26]

VOTED that the Board of Regents recognizes Marc Pachter's leadership and accomplishments and gratefully approves naming in his honor three funds at the National Portrait Gallery: the Marc Pachter Exhibitions Fund, the Marc Pachter Acquisitions Fund, and the Marc Pachter Fund for Commissioning. [2007.09.27]

VOTED that the Board of Regents recognizes the generosity and dedication of Frederick W. Smith to the National Museum of Natural History and gratefully approves naming in memory of his daughter a fund and an exhibition, the Windland Smith Rice *Nature's Best* Photography Fund and *The Nature's Best Photography, Windland Smith Rice International Awards Exhibition*. [2007.09.28]

VOTED that the Board of Regents recognizes the generosity and dedication of Nina and Ivan Selin to the National Museum of American History and gratefully approves naming its planned second-floor welcome center the Nina and Ivan Selin Welcome Center. Further, this name shall be associated with the Center until December 31, 2030, or until the completion of the next major renovation of the space in which the Center is located, whichever occurs last. [2007.09.29]

VOTED that the Board of Regents recognizes the service and contributions of Vine Victor Deloria, Jr. to the National Museum of the American Indian and gratefully approves naming in perpetuity the library in the Cultural Resources Center in Suitland, Maryland, the Vine Deloria, Jr. Library, and naming the Museum's Native Writers Series the Vine Deloria, Jr. Native Writers Series for as long as the series exists. [2007.09.30]

VOTED that the Board of Regents requests its Congressional members to begin the process to introduce and support legislation to provide for the design, construction, and commissioning of the Mathias Laboratory Renovation and Trailer Replacement Project at the Smithsonian Environmental Research Center in Edgewater, Maryland, for the purpose of supporting the Center's world-class leadership in the study of ecosystems in the coastal zone. [2007.09.31]

VOTED that the Board of Regents authorizes the Acting Secretary of the Smithsonian Institution and his designees to enter into and secure debt for the Smithsonian in order to refinance the revenue bonds issued to finance the Institution's Discovery Center and cover the costs of issuance related thereto. The aggregate principal amount of the debt will not exceed \$40 million and the debt may be fixed rate or floating rate. The principal amount of the debt is defined as the gross proceeds from issuance of such debt. The Acting Secretary and his designees are further authorized to enter into one or more interest rate swaps or other hedging arrangements in connection with such debt and to take any and all actions and to execute, acknowledge, and deliver any and all agreements, instruments, and other documents as they may, in their discretion, deem necessary or desirable to issue and secure such debt or hedging arrangement. [2007.09.32]

VOTED that the Board of Regents authorizes the Acting Secretary to invest \$70 million from the short-term portfolio in the Endowment. [2007.09.33]

VOTED that the Board of Regents approves the budget of appropriated funds for fiscal year 2008 when signed into law by the President and authorizes expenditures by the Acting Secretary in accordance therewith. Any material changes in program plans incorporated into this budget shall be made only with the approval of the Board of Regents or its Executive Committee. [2007.09.34]

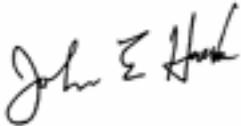
VOTED that the Board of Regents approves the institutional budget for Trust funds for fiscal year 2008 reflected in this report and authorizes expenditures by the Acting Secretary in accordance therewith. Any material changes in program plans incorporated into this budget shall be made only with the approval of the Board of Regents or its Executive Committee. [2007.09.35]

VOTED that the Board of Regents ratifies with strong reservation the Smithsonian Institution budget request for appropriated funds for fiscal year 2009 for presentation to the Office of Management and Budget. The Board's expression of strong reservation reflects its determination that the submitted budget request for facilities maintenance is under-proposed by at least \$17 million. Any material changes in program plans incorporated into this budget shall be made only with the approval of the Board of Regents or its Executive Committee. [2007.09.36]

VOTED that the Board of Regents approves the proposed revisions to the Bylaws of the Smithsonian's Board of Regents. [2007.09.37]

VOTED that the Board of Regents acknowledges the extraordinary contributions made by Sheila Burke as Deputy Secretary and Chief Operating Officer. Her experience, leadership, and management skills have greatly strengthened the strategies and management of the Institution. [2007.09.38]

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