

Association for Investment Management and Research

BOARD OF GOVERNORS

MEETING MINUTES

8-9 May 2004

Denver, Colorado

Notice: 28 April 2004

Governors Present: Theodore R. Aronson, CFA
Thomas A. Bowman, CFA
Dwight D. Churchill, CFA
Jeffrey J. Diermeier, CFA
Anthony H. Cagiati, CFA
Shirley Shea DeJarnette, CFA
Vincent Duhamel, CFA
Denise M. Farkas, CFA
Emilio Gonzalez, CFA
Monique E.M. Gravel, CFA
James M. Lyon, CFA
Janet T. Miller, CFA
Alex K.G. Ng
George W. Noyes, CFA
Nicola Ralston
John C. Stannard, CFA
Malcolm M. Trevillian, CFA
Teong Keat (T.K.) Yap, CFA

Governors Absent: Robert E. Angelica, CFA
Khalid Ghayur, CFA

Governor Nominees

Present: Margaret E. Franklin, CFA
Samuel B. Jones, CFA
Brian D. Singer, CFA
Jose Luis Velasco, CFA

Presidents Council

Representatives

Present: Daniel P. Broby
Kathleen C. Chrisman, CFA
Christopher G. Dunmall, CFA
Warren A. Johnson, CFA
William K. Kovalchuk, CFA
Stanley G. Lee, CFA
Joseph Y.S. Lim, CFA
Daniel S. Meader, CFA
John M. Rickel, CFA
William R. Warnke, CFA

Incoming Presidents

Council

Representatives

Present: Beth Hamilton-Keen, CFA
Richard Mak, CFA

Also Present:

Ron Bancroft, Consultant
James W. Bronson, CFA, Chair of the Candidate Curriculum
Committee, AIMR*
Gary Cook, Consultant
James M. Cudahy, Vice President, Marketing & Communications,
AIMR*

* Present for Part of Meeting

- Raymond J. DeAngelo, Executive Vice President, Member and Society, AIMR
- Robert B. Hardaway, Jr., CFA*
- Barbara Higgins, Vice President, Client Support, AIMR*
- Robert R. Johnson, CFA, Executive Vice President, CFA Program, AIMR
- Joseph P. Lange, Associate, Office of General Counsel, AIMR
- William P. McKeithan, Senior Vice President and General Counsel, AIMR
- Timothy G. McLaughlin, Executive Vice President, Finance and Corporate Support, AIMR
- Dennis McLeavey, CFA, Vice President, Curriculum Development, AIMR*
- Kurt Schacht, CFA, Executive Director, CFA Centre for Financial Market Integrity, AIMR*
- Katrina F. Sherrerd, CFA, Executive Vice President, Planning and Professional Development, AIMR
- Fred H. Speece, Jr., CFA, Chair of the Research Foundation, RFAIMR*
- Jan Squires, CFA, Vice President, Examinations, AIMR*
- Donald L. Tuttle, CFA, Vice President, Special Projects, AIMR*
- Thomas B. Welch, CFA, Chair of the Council of Examiners, AIMR*
- Guy P. Williams, Vice President, Financial Operations, AIMR*

Materials

Distributed

Prior to Meeting: AIMR Board Book

Materials

Distributed

at the Meeting: CFA® Program Review PowerPoint
Waiver of Curriculum Authors Resolution (Revised)

Chair: Theodore R. Aronson, CFA

Meeting Secretary: Joseph P. Lange

Strategic Plan Report

In fiscal year 2003, the Board endorsed a more formal approach to strategic planning that involved the development of a written strategic plan and an approach to planning that emphasized execution and accountability. In July 2003, the Board approved a five-year Strategic Plan for the organization. The Plan identified a vision of the organization in 2008, four strategic objectives, and 32 one-year milestones.

The Board was presented with a report assessing the progress made and the lessons learned on the Strategic Plan one year after implementation. Overall, Management was pleased with the process and progress made. Of the final 31 milestones (one milestone was incorporated into another), 74 percent were on target or have already been completed. Seven milestones were behind the schedule initially specified, but significant progress had been made on all with Management having a firm understanding as to why they were behind schedule. And after preliminary work, Management determined not to pursue one milestone.

It was noted that a presentation of the second year milestones would be made to the Planning Committee in June and to the Board in July. At the next Board meeting the Executive Committee agreed to organize the Board agenda around the Strategic Plan's objectives and milestones in order to create a direct link with the issues that the Board would focus on.

Global Structure Plan

The Global Structure project commenced in August 2003 with the formation of a team within AIMR to assess alternative organizational structures that would allow AIMR to be viewed as a global organization, flexible, and responsive to the needs of its constituency (Strategic Plan, objective #4). The team met monthly and reached out to AIMR's core constituents throughout the process to assess needs and to test alternatives.

Management endorsed the team's recommendation to significantly upgrade the capability of the AIMR's regional offices in Hong Kong and London. The guiding principles that defined the proposed plan involve setting vision, policy, and strategy for all AIMR offices centrally, while decentralizing implementation for specific areas of strategy such as advocacy, public awareness, and society support when a clear mandate exists for doing so.

The estimated incremental annual costs associated with the proposal was \$4.8 million beyond the current FY 2004 budget levels, of which almost 50 percent was related to the CFA Centre for Financial Market Integrity.

The Board was presented with a report that summarized the process used to develop the recommended organizational structure and described the proposed structure. The proposal was endorsed by the Planning Committee at their April 2004 meeting. The following resolutions were approved unanimously.

RESOLVED, that the AIMR Board of Governors accept and approve the Global Structure Plan substantially in the form presented at this meeting; and

FURTHER RESOLVED, that the Planning Committee is directed to work with AIMR Management on the financial aspects in conjunction with the 2005 budget.

GIPS® Certification Principles

The Board was requested to provide input on the 12 GIPS principles that were developed by professional staff in consultation with the Planning Committee. In March 2004, the Planning Committee endorsed the set of GIPS principles and recommended proceeding with a comprehensive business plan for a GIPS certification program.

It was noted that the following groups could potentially be interested in such a program:

- Verifiers/big four accounting firms
- Investment management firms
- CFA charterholders
- Regulators
- Consulting firms
- Plan sponsors
- Individual and professional investors

A majority of the Board members preferred that the program be designed to require ongoing continuing education versus recertification. The following resolution was passed unanimously.

RESOLVED, that the AIMR Board of Governors accept and approve the 12 GIPS principles as amended at this meeting.

Name Change Branding Strategy

With the pending name change of the organization, the Board was briefed on the associated rebranding strategy activities and timeline. The rationale behind the name change above all else was to leverage our organization's greatest asset which is the CFA brand. With the new name of the organization there is tremendous opportunity, not only to have a new name or new logo but really an entirely new visual identity system that positions the organization and the brand in the strongest possible way. The new organizational colors have been established as midnight blue and gold. Also, a branding officer position had been created whose ultimate responsibility is to oversee the proper implementation of the brand.

CFA® Program Review

The CFA Program review was designed to provide the Board the opportunity to debate and essentially review working principles, as outlined below, that have been in place for many years and have evolved over time. A presentation was made that described the current CFA Program development processes and allowed time for the Board to have their questions answered.

1. Program grounded in a global job analysis that assumes a generalist perspective of the investment profession.
2. Practitioner involvement/oversight in all aspects of the program.

3. Three progressive, compensatory exams based only on the curriculum and Learning Outcome Statements.
Issues to Consider:
 - i. separate ethics exam
 - ii. “entry” exam
4. Uniform curriculum/exams worldwide administered in English.
Issues to Consider:
 - i. portability/mobility
 - ii. no country-specific material/impact on financial planning
 - iii. no specialization (i.e., equity analysis, derivatives, and fixed income)
5. Award of CFA designation based on mastery of the Body of Knowledge and attainment of work experience.
Issue to Consider:
 - i. not an “investment education degree”

Private Wealth Strategy Plan

In March 2004, the Planning Committee endorsed the Private Wealth Strategy Plan and charged Management with preparing a proposal for the Board, including the identification of a chair and members for the ad hoc advisory committee. The following resolution was passed unanimously.

RESOLVED, that the AIMR Board of Governors accept and approve the Private Wealth Strategy Plan substantially in the form presented at this meeting.

Research Foundation Elections and Amended Articles and Bylaws

The Board was briefed on the current activities of the Research Foundation. As stated in the Articles and Bylaws of the Research Foundation, AIMR is the sole Voting Member of the organization. As the sole Voting Member, AIMR is required to approve the amended articles and bylaws and to elect the trustees and chair that serve on the Research Foundation. The following resolution was passed with the AIMR Chair abstaining from the vote.

RESOLVED, that Theodore R. Aronson, CFA, is authorized to vote on the behalf of AIMR as the sole Voting Member of the Research Foundation at its annual meeting of members;

RESOLVED, that Theodore R. Aronson, CFA, is authorized to vote for the approval of Frank K. Reilly, CFA, to the office of Chair;

FURTHER RESOLVED, that Theodore R. Aronson, CFA is authorized to vote for the approval of Johns D. Freeman, Gita R. Rao, and Eliot P. Williams, CFA, as Elected Trustees of the Research Foundation, each to serve for a three (3) year term commencing 1 September 2004;

FURTHER RESOLVED, that Theodore R. Aronson, CFA, is authorized to vote for the approval of the Amended and Restated Articles and Bylaws of the Research Foundation; and

FURTHER RESOLVED, that Theodore R. Aronson, CFA, is authorized to vote on such other matters that may be presented at the above noted meeting, and to waive any notice of meeting requirements.

NIRI/AIMR Joint Task Force Update

An update on the latest activities of the NIRA/AIMR Joint Task Force was provided to the Board. The draft standards were out for public comment, however, the response rate was extremely low and professional staff was currently trying to improve the response rate. It was anticipated that the final version of the standards would be completed by the end of the calendar year.

CEO Search Update

It was announced that the CEO search, which had been quite extensive and thorough was now complete. The CEO Search Committee was assisted in its task by the executive search firm of Spencer Stewart. The short list of candidates consisted of four finalists two of whom were internal, all extremely qualified, experienced, and capable. The decision came down to the best fit of the search criteria and was a unanimous recommendation of the group. On 5 May 2004, the Board held an executive session meeting and unanimously approved the recommendation. It was with great pleasure that Mr. Jeffrey J. Diermeier, CFA, was officially announced as the new incoming president and chief executive officer. It was stated that he would unofficially start 1 September 2004 and officially on 1 January 2005 to coincide with Mr. Bowman's retirement.

Consent Agenda

The consent agenda consists of informational, reoccurring, and procedural matters that come before the Board. The following resolutions were passed as noted.

Board Meeting Minutes

(Unanimously Approved)

- Approve the 6 February 2004 Board meeting minutes substantially in the form presented at this meeting.

FY 2005 Board Oversight Committee Chairs

(Approved with the AIMR President and CEO abstaining from the Audit Committee vote and the four nominees abstaining from the vote with regards to their respective Oversight Committee appointments.)

- RESOLVED, that each of the following persons are elected to serve as indicated on the committee and, if applicable, in the indicated position set

forth opposite their name for a one (1) year term commencing 1 September 2004 and until their successors are chosen and qualified:

- Audit Committee
Chair: Denis M. Farkas, CFA
- External Relations and Volunteer Involvement Committee
Chair: Vincent Duhamel, CFA
- Performance Oversight Committee
Chair: Emilio Gonzalez, CFA
- Planning Committee
Chair: Anthony H. Cagiati, CFA

Election of Secretary and Treasurer

(Unanimously Approved)

- RESOLVED, that pursuant to Article 6, section 6.6(a) of the AIMR Bylaws, Joseph P. Lange and Timothy G. McLaughlin are elected Secretary and Treasurer, respectively, to each serve a one (1) year term commencing 1 September 2004 and until their successors are chosen and qualified.

AIMR Awards Structure and Process

(Unanimously Approved)

- RESOLVED, that the AIMR Board of Governors accept and approve the Awards Committee Structure and Process Policy substantially in the form presented at this meeting.

India Litigation/General Counsel Signature Authority

(Unanimously Approved)

- RESOLVED, that as required under Indian law, the AIMR Board of Governors hereby authorizes William P. McKeithan, AIMR Senior Vice President and General Counsel, to make, sign, execute, verify, affirm and file caveats, complaints, affidavits, applications, petitions, or written statements, replies, objections, appeals, cross-appeals, warrants of attorney, tabular statements, or any other documents and papers expedient or necessary in his opinion to be made, signed, executed, verified, presented or filed on behalf of AIMR with regard to the following legal actions in India: (a) AIMR's defense against a civil action filed in Hyderabad by the "Institute of Chartered Financial Analysts of India" (b) a civil suit filed in New Delhi by AIMR against an organization named ICFAI; and (c) in any such other related actions;
- FURTHER RESOLVED, that the proper officers of AIMR be and they hereby are authorized, empowered, and directed to take such action as necessary to implement the resolve of the Board, including the preparation

of documentation, if so required, to affirm that the Board has on this date authorized the action set forth in the above resolution; and

- FURTHER RESOLVED, that all previous acts, if any, done by Mr. William McKeithan prior to the passing of this resolution in respect of the matters aforesaid and the Board agrees to ratify and confirm and hereby ratifies and confirms all acts done by Mr. William McKeithan.

The Board was updated on the status of AIMR's pending trademark litigation in India. It was explained that India had made quite a few changes to their trademark laws and some extensive revisions in their justice system. Unfortunately, with all the changes it was not expected that the courts would be any faster in deciding cases because they were going to have new laws to apply.

Technology Advisory Committee Update

(Unanimously Approved)

- RESOLVED, that the Technology Advisory Committee shall disband is accepted and approved by the AIMR Board of Governors; and
- FURTHER RESOLVED, that the AIMR Board of Governors recognizes the contribution of the members of the Technology Advisory Committee in helping AIMR to develop and implement technology-based products and services for AIMR members. The Committee had a key role in communicating the benefits of technology products to societies and members. The Board wishes to thank the members of the Committee for a job well done.

Dan Bandi, CFA
Rich Barnett, CFA
Dave Cary, CFA
Saeid Hamedanchi, CFA
George Mellman, CFA
George Montgomery, CFA
Jacquelyn Rivas
Jim Robinson, CFA
Kevin Vandolder, CFA
Tom Chang Wu, CFA

Changes the Effective Dates of GIPS Technical Provisions

(Unanimously Approved)

- RESOLVED, that the effective dates of the GIPS Fees, Private Equity and Real Estate Provisions, and the GIPS Advertising Guidelines be moved to 1 January 2006.

Waiver of Curriculum Authors

(Unanimously Approved)

- RESOLVED, that the AIMR Board of Governors accept and approve amending Conflict of Interest Policy 2 substantially in the form presented at this meeting.

Other Business

The Board briefly discussed the upcoming meeting schedule for July and November, as well as the Society Leadership Conference to be held in September.

At this time, the Board meeting went into *Executive Session*.

Respectfully submitted,

Joseph P. Lange
Corporate Secretary