



2001 Activity Report

December 31, 2001

We are pleased to provide the following activity report to our membership.

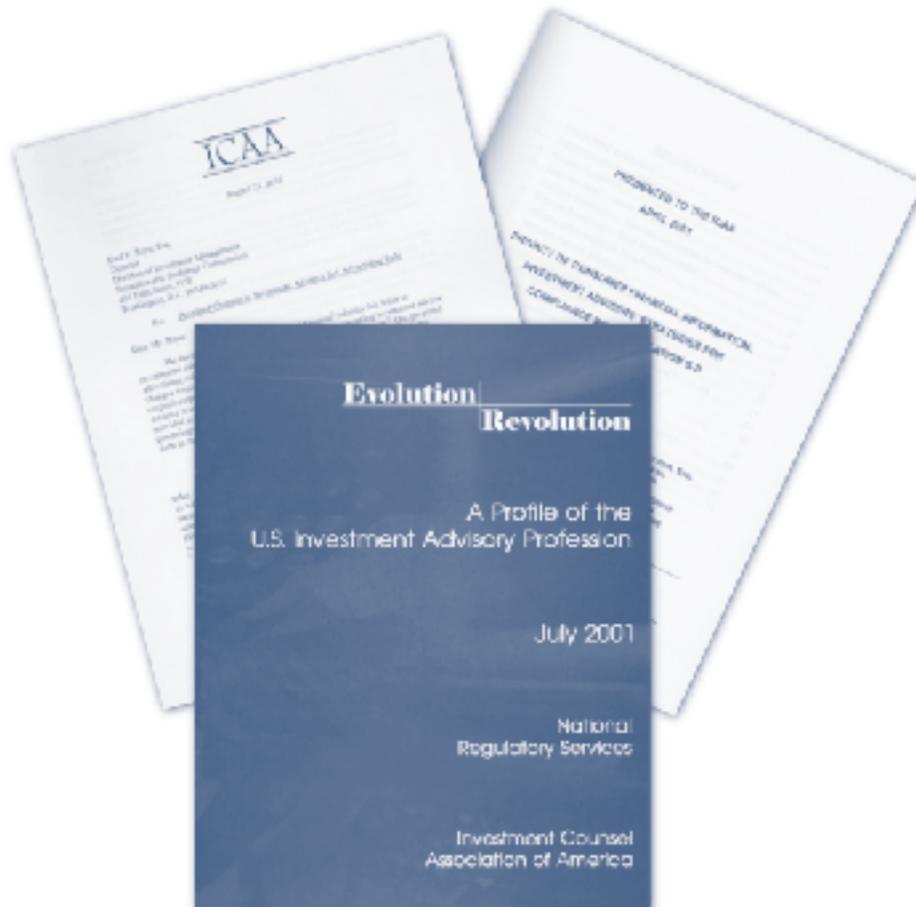
As outlined in this brief summary, despite the tremendous upheaval and enormous losses that were felt by all of us during the past few months, 2001 proved to be an extremely productive year for the Investment Counsel Association of America.

The year 2002 will bring new challenges and offer new opportunities for the ICAA. We welcome your suggestions for improving the Association and invite your participation in the various activities that we sponsor.

We truly appreciate your continued support of the Association and look forward to working with all members as we strive to build on our record of service and excellence.

ICAA Board of Governors

Advocacy



The Association plays a critically important role as spokesperson and representative of the investment advisory profession. In particular, the ICAA continues to assume the major responsibility for acting as the profession's leading advocate on legal, regulatory, and compliance issues. As the regulatory landscape has become more complicated and more dynamic, the ICAA is involved in a continuing dialogue with the SEC, the Congress, the Department of Labor, state securities regulators, and other industry organizations regarding every major initiative affecting the profession. In addition, the ICAA is building relationships with regulators and organizations outside the U.S. as an increasing number of our members build global businesses.

**Any good investment adviser knows you can't
afford to have compliance and regulatory problems.**

Following is a sampling of initiatives and issues the ICAA has been involved with during the past year.

- Early this year, all SEC-registered advisers were required to file Form ADV, Part 1 on the Investment Adviser Registration Depository (IARD) – the SEC's new electronic registration and filing system. The ICAA has been active in every stage of developing the IARD during the past few years, from filing comment letters with the SEC to serving on a committee that has advised the SEC on issues related to the new system. As a result, the ICAA has been able to provide current and accurate information to its membership on developments that have transformed the manner in which registration and disclosure information is collected and disseminated.
- As the investment advisory profession becomes more competitive, the role of advertising has become more important. Unfortunately, the current advertising regulations under the Investment Advisers Act – which prohibit advisers from using testimonials and past specific recommendations – have resulted in confusing, complex, and even conflicting pronouncements and interpretations by SEC staff. During the past two years, the ICAA's Legal and Regulatory Committee has been working to develop an approach that would address many of the problems in this important area. In August, the ICAA submitted a letter to the SEC that proposes major changes to the current advertising rules. Representatives of the ICAA recently met with SEC staff to discuss the proposed changes and the ICAA and its membership will continue to urge the SEC to act on this key initiative in order to promote greater disclosure to investors while reducing inconsistencies and complexities under the current rules.
- The Securities Industry Association – the trade association representing the brokerage industry – is expending major time and resources in an effort to implement next business day trade settlement in the U.S. T+1 represents a virtual restructuring of the U.S. securities markets and would affect every investment adviser. In October, the ICAA wrote to SEC Chairman Harvey Pitt expressing concerns about various aspects of the T+1 initiative, including concerns about the relative costs and benefits T+1 will have for the investment management industry, as well as concerns about competition and regulation of so-called trade matching utilities. The ICAA intends to sponsor a series of regional workshops designed to educate investment advisers on these rapidly developing issues, beginning with a conference on March 19, 2002 in Los Angeles.
- Accurate and comprehensive information about the investment advisory profession has always been difficult to obtain. In July, the ICAA and National Regulatory Services issued a report based on the first-ever electronic filings made by all SEC-registered investment advisers on the Investment Adviser Registration Depository (IARD) earlier this year. Entitled "Evolution/Revolution: A Profile of the U.S. Investment Advisory Profession," the report provides a snapshot of the investment advisory profession and outlines many core characteristics of a diverse and rapidly evolving profession. The ICAA is developing software to utilize and analyze IARD data in the future in order to measure and evaluate changes occurring in the investment management profession. In September, the SEC unveiled the Investment Adviser Public Disclosure web site that allows instant access to every SEC-registered investment advisory firm's Form ADV. The ICAA will continue to keep its membership posted on changes that have resulted in much greater transparency and exposure for the advisory profession.

Advocacy

The ICAA is the best way to stay informed and on top of the rapidly changing legal and regulatory environment.

- Regulation Fair Disclosure – a rule promulgated by the SEC that is designed to prohibit public companies from selectively disclosing information to analysts rather than the public – was a controversial rule championed by former SEC Chairman Arthur Levitt. When the rule went into effect late in 2000, some predicted that it would have major adverse consequences on the amount and quality of information disclosed by public companies to analysts. Last summer, the ICAA conducted a survey of its member firms to learn about the effects of this new rule. Surprisingly, a majority of respondents to the survey indicated that the regulation was needed to address the issue of selective disclosure and that the rule had not resulted in worse or less information from public companies. The ICAA will continue to monitor the effects of this rule as changes are being contemplated.
- The ICAA continues to oppose inappropriate state regulation of federally registered investment advisers and to encourage uniformity among all states. For example, in May, the ICAA commented on the Texas State Securities Board's proposed rules to make them consistent with the Investment Advisers Supervision Coordination Act – the 1996 law supported by the ICAA that has helped to reduce state adviser regulation. The ICAA has also been working with state securities regulators to ensure that SEC-registered advisers need not file a paper version of their Form ADV Part 2 with each state. And the ICAA has continued its work with the National Conference of Commissioners on Uniform State Laws on model investment adviser legislation. These activities are representative of the ICAA's ongoing efforts to reduce the state regulatory burdens and costs imposed on SEC-registered investment advisers.

The ICAA has filed other written comments with the SEC during the past year, copies of which are posted under "Comments & Statements" on the ICAA's web site, www.icaa.org:

- In February, the ICAA filed a comment letter in response to the SEC's proposal to revise Rule 10f-3 by expanding the exemption provided by the rule to permit a fund to purchase government securities in a syndicated offering. The ICAA asked the SEC to clarify the application of Section 10(f) and Rule 10f-3 to independent subadvisers.
- In April, the ICAA filed a comment letter with the SEC in response to its proposed electronic recordkeeping rules for investment advisers and investment companies. The ICAA strongly supported the proposed amendments to expand the ability of advisers and funds to use electronic storage media to maintain and preserve records and suggested some modifications to the rule. The rule became effective May 31, 2001.
- In May, the ICAA filed additional comments on the SEC's controversial proposal to revamp Form ADV, Part 2, which would govern filings of the firm brochure and brochure supplements. The ICAA expects the SEC to adopt new Part 2 revisions in 2002.
- In December, the ICAA sent a letter to the SEC expressing concerns about a potential broad exemption for thrifts from the registration and regulatory requirements of the Investment Advisers Act of 1940.

Education



The ICAA conducted numerous conferences, meetings, and educational services during the past year in an effort to keep our members fully informed about relevant issues that affect the investment advisory profession and to provide a forum for our members to network and discuss matters of mutual concern. ICAA-sponsored conferences and meetings are provided to our membership at very favorable rates and are an important benefit of membership. As the ICAA continues to increase its membership and resources, the Association will be able to offer an expanded range of educational benefits to serve an increasingly diverse membership.

Education

One of the most valuable benefits of belonging to the ICAA is the ability to discuss today's issues with other leaders in the investment advisory profession.

Following is a brief summary of some of the educational events the ICAA sponsored during 2001.

- In March, the ICAA and *IA Week* cosponsored the third annual IA Compliance Summit in Washington, D.C. The two-day program featured numerous SEC officials along with ICAA staff, leading practitioners, and representatives of ICAA member firms who provided the latest investment information on legal, regulatory, and compliance issues that investment advisers face. The fourth annual Summit will be held April 8-9, 2002 in Washington, D.C.
- In April, the ICAA held its annual conference in Carlsbad, California. Entitled "Plotting the Course," the program featured presentations by Art Laffer, Dr. Irwin Mark Jacobs, John Casey, Richard Kovacevich, Dr. Warren Bennis, CEOs from leading ICAA member firms, and others. The ICAA's next annual conference will be held in Philadelphia on April 25-26, 2002.
- In September, the ICAA and the European Asset Management Association cosponsored the first-ever International Asset Management and Regulatory Conference in Paris. Representatives from the ICAA, the SEC, and other experts on U.S. asset management and regulation joined together with European securities regulators and practitioners to engage in a meaningful dialogue on issues facing investment advisory firms doing business in other countries. Panel discussions focused on risk management, cross border marketing and performance presentation, market and trading developments, and other key issues. The ICAA plans to conduct similar conferences in future years. Following the conference, the ICAA organized a discussion group meeting that allows members to discuss issues they face in doing business outside the U.S.
- From October to December, the ICAA conducted regional compliance workshops for ICAA member firms, marking the fifth consecutive year the Association has sponsored these popular meetings. Nearly 300 persons attended the workshops, which were held in Atlanta, Boston, Chicago, Houston, Los Angeles, New York, San Francisco, and Washington, D.C. ICAA staff and attorneys from the law firms of Dechert and Wilmer, Cutler & Pickering presented information on hot issues, including advertising, best execution, and potential new anti-money laundering rules. Each workshop featured a speaker from the SEC who outlined current SEC priorities and what to expect during SEC inspections.
- In November, the ICAA sponsored its third annual Portfolio Management Forum in Chicago. The two-day conference focused on concerns and issues related to retail asset management. The forum included discussions regarding private client behavior, focused portfolios, tax efficient investing, and risk control and featured speakers such as Bill Nygren, Charlotte Beyer, Kurt Cerulli, and Jon T. Ender.
- The ICAA has established regional groups that meet in New York and Boston to discuss current and practical compliance and regulatory issues. These meetings provide an opportunity for ICAA member firms to network with other investment advisory compliance professionals in the region. The ICAA intends to build on this approach in other areas of the country.
- The ICAA Board of Governors held meetings in Washington, D.C., Chicago, and Los Angeles. In conjunction with each meeting, the Board hosted working luncheons for ICAA members, featuring local speakers. The ICAA's volunteer Board of Governors continues its efforts to increase benefits and services of the Association and to promote the ICAA and the investment advisory profession.

Service



One of the missions of the Association is to provide "benefits, services, and products that add value to member firms in their course of doing business." The ICAA's talented staff is available to assist member firms on any issue or concern. Additionally, the ICAA offers a growing array of informational products and services to its membership. Importantly, the ICAA serves as a unique and invaluable networking resource that facilitates and encourages the exchange and development of ideas among industry peers. The following summary lists some of the many benefits and services the ICAA offers to its membership.

Service

The ICAA is the only association whose sole purpose is to serve the investment advisory profession.

- Since December 1996, we have published a monthly edition of the ICAA Newsletter. The newsletter is a major component of our effort to keep the membership fully informed of all aspects of the ICAA's activities as well as relevant industry trends and developments. Any employee of an ICAA member firm who wishes to be included on the newsletter mailing list should simply contact the ICAA office.
- During the past year, ICAA General Counsel Karen Barr and Counsel Philippa Hughes have responded to more than 700 requests for information from our members. These "retail" services are an important and unique aspect of the ICAA's services to its membership. In an effort to sustain and augment our ability to provide these valuable services, we are pleased to announce that Ms. Rasha Elganzouri, formerly with the law firm of Wilmer, Cutler & Pickering, joined the ICAA staff as Counsel in September.
- Our Internet site, located at www.icaa.org, is an excellent source for the latest developments and activities of the Association as well as serving as a repository of historical information. The site also features a "Members Only" area that houses monthly legal and regulatory updates, Blue Sky information, and past issues of the ICAA Newsletter. The ICAA Web site contains links to ICAA member firm sites and other industry and informational sites, employment listings, and a searchable section that contains copies of significant comments and statements prepared by the ICAA.
- Through a special arrangement, the ICAA offers Web site development services of its technology consultant, Mr. Kenneth Holley, at a reduced rate. During the past year, several ICAA members retained Mr. Holley to create Internet sites for their firms.
- In August, the ICAA provided to each member firm updates of our two-volume set of legal, regulatory, and compliance materials, including new material on the new Global Investment Performance Standards, best execution, personal trading, T+1, electronic filing of Form ADV, Blue Sky updates, third-party cash solicitations, insider trading, web issues, money laundering, private investment funds, record keeping, and other topics. Entitled *The ICAA Investment Adviser*, the compilation includes a variety of current and historical information on investment adviser issues and practices.
- The Chartered Investment Counselor (CIC) designation, sponsored by the ICAA, is designed to recognize individuals who have met significant education and experience qualifications in performing investment counseling and portfolio management functions. The CIC designation is recognized by most states and thus will entitle charter holders to be exempt from any state examination requirements otherwise applicable to investment adviser representatives.
- In October, the ICAA published and distributed its *Directory of Member Firms* and *Directory of Firm Personnel*. ICAA membership currently stands at about 300 firms, the highest level since the organization was founded in 1937. The *Directory of Member Firms* is made available to the public on request and lists each firm, its address and telephone number, and information provided to the ICAA regarding the firm's assets under management, number of professional staff, minimum account and fees, and types of accounts supervised. The *Directory of Firm Personnel* is published for the exclusive use of ICAA member firms. Continuing to build our membership remains one of the highest priorities of the Association.



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