

MEMO# 18331

December 14, 2004

REQUEST FOR NOMINEES TO THE BOARD OF GOVERNORS

[18331] December 14, 2004 TO: BOARD OF GOVERNORS No. 85-04 RE: REQUEST FOR NOMINEES TO THE BOARD OF GOVERNORS The FY 2005 Nominating Committee will be elected at the January meeting of the Board of Governors and will begin its deliberations immediately after the meeting. The primary role of the Committee is to recommend a slate of fifteen candidates for election to a three-year term on the Board of Governors. At next May's meeting, the Board will approve the slate of candidates, which will then be presented to the membership for approval during the summer. Candidates for service on the Board of Governors are selected from a number of sources. Traditionally, individuals who have served and been active on the Board in the past (i.e., the sabbatical class) are given first consideration. Other sources of candidates include recommendations from Governors, suggestions from the Institute staff and requests from members who would like to become active in Institute initiatives. The Institute's By-Laws and various guidelines adopted by the Board of Governors and the Executive Committee govern the Nominating Committee's selection of candidates. The major guidelines for selection are summarized in the attachment to this memo. Also, the Nominating Committee has historically sought balance on the Board with respect to the following factors: • Geographic — no region should dominate representation on the Board. • Size — several small- and mid-size groups should be represented on the Board. • Method of distribution — an appropriate balance should be maintained among sales force, direct, bank and insurance company distributed fund groups. To assist the Committee with its deliberations, I am requesting that Governors send recommendations for new management company and independent director candidates for the Board to Larry Maffia by January 6, 2005. Where possible, please include a biography for the person. If you have any questions, please contact me, Paul Stevens or Larry Maffia. I appreciate your assistance in making the Institute's Board representative of the entire membership. James S. Riepe Chairman of the Board of Governors Attachment Nominating Guidelines 1. The Institute's By-Laws provide for the annual election of fifteen Governors and require that, of the forty-six members of the Board, at least twenty-three be officers, directors, partners or trustees of open-end funds; at least three be officers, directors, partners or trustees of closed-end funds; and at least two be officers, directors or partners of a UIT sponsor. 2. The Board of Governors adopted the following basic guidelines for nominations to the Board. i. Each member complex may have no more than one representative on the Board. (Subsequently this provision was interpreted to not apply to independent director Governors.) ii. Normally a Governor must remain off the Board for at least a year (on "sabbatical") following completion of a full three-year term, except that a Governor who is nominated in the third year of his or her term to be Chairman is not subject to this limitation in the following year; iii. A Governor filling a seat formerly occupied by a representative of the same member complex is subject to the same break in service

requirements as if the original representative from that complex had continued in office. iv. Exceptions to these guidelines may be made when appropriate in the Nominating Committee's view. 3. The Nominating Committee is to seek candidates for the Board who are actively engaged in the mutual fund business as either (i) the CEO/senior decision-maker of the investment adviser to a member mutual fund complex, or (ii) an independent director of a member mutual fund. With regard to independent director candidates, preference should be given to those directors who are active in the leadership of their fund boards.

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