TESTIMONY OF
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MEMBER, NATIONAL LEGISLATIVE COMMITTEE OF THE NATIONAL ASSOCIATION OF SECURITIES PROFESSIONALS

BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

"DIVERSITY IN THE FINANCIAL SERVICES SECTOR"

FEBRUARY 7, 2008

Good Afternoon Chairman Melvin Watt, Ranking Member Gary Miller and Members of the Subcommittee:

I am Zaid Abdul-Aleem, a Member of the National Legislative Committee of the National Association of Securities Professionals (NASP). I am also a Senior Vice President, Business Development for Piedmont Investment Advisors, LLC, a minority-owned asset management firm.

I appreciate the opportunity to testify on behalf of NASP and our members concerning our organization's long-standing commitment to encouraging diversity within all facets of the securities industry and the U.S. capital markets. We commend the Subcommittee for recognizing how important this topic is to the future of our economy, our markets, and our industry.

Initially, I will briefly summarize the background and diversity outreach and efforts of NASP. Secondly, I will focus my testimony on my individual experiences as a financial services professional, both in majority and minority-owned firms, and how to effectively impact diversity in the financial services industry through increased recruitment and retention of diverse financial services professionals. During this portion of my testimony, my comments will cover mentoring relationships and related career benefits, access to capital, and opportunities to do business within the financial

services industry, and I will offer some suggestions for increasing the recruitment and retention of diverse financial services professionals.

Background & History of NASP

The National Association of Securities Professionals (NASP) is an organization that supports people of color and women in the financial services industry. We connect members to industry leaders and business opportunities; advocate for policies that create equal representation and inclusion; provide educational opportunities; and work to build awareness about the value of ensuring that people of color and women are included in all aspects of the financial services industry. Founded in 1985, NASP is based in Washington, D.C. with 10 chapters in major financial centers throughout the United States. Our members include asset managers, broker-dealers, pension fund consultants, public finance professionals, investment bankers, securities/bond counsel, commercial bank underwriters, institutional investors, plan sponsors and other professionals in the financial services industry.

NASP in its founding and outreach within the industry over the past 22 years has increased diversity within the financial services industry. Among our various initiatives, we would like to highlight a few of our key programs and initiatives that target increasing diversity within the financial services industry: Wall Street Fast Track; Annual Mentors Luncheon and Online Career Center; and Annual Pension Fund & Financial Services Conference (for further detail, see Appendix A below).

Impacting Diversity in the Financial Services Industry

In the United States Government Accountability Office (GAO) 2006 report, entitled *Financial Services Industry: Overall Trends in Management-Level Diversity and Diversity Initiatives, 1993-2004* (GAO Report), the GAO found that overall between 1993 and 2004, diversity at the management level in the financial services industry did not change substantially. These findings are not surprising. Over the last ten years, while there have been some positive changes, the industry overall is still viewed as severely lacking and imbalanced when it comes to diversity as noted in various industry reports and surveys (see e.g., U.S. Institute, *Special Report: Workplace Diversity in Asset Management* (Fall 2006;

USI Diversity Report); Securities Industry and Financial Markets Association (SIFMA), *Report on U.S. Workforce Diversity and Organizational Practices* (2007; SIFMA Diversity Report); H. Cisneros, *Presentation: Opportunities, Challenges and Best Practices in Promoting Diversity*, Presented at *CalPERS Workshop Expanding Investment Opportunities Through Diversity* (Nov. 2005)).

The GAO Report also found that while many firms have initiated programs to increase workforce diversity, including in management level positions, NASP believes these initiatives still face challenges. Some reasons are as follows:

1. Preconceived notions and prejudices about the effectiveness of minority and women professionals.
2. The tendency to mentor and promote individuals from the same ethnic background regardless of merit.
3. Lack of access to critical social networks.
4. Most emphasis on recruitment – not as much on retention and promotion of minority managers. As a result, many recruited at the mid-management level fail to fully assimilate into the corporate culture and end up leaving before reaching the executive level.
5. As the GAO study found, getting employees in general to “buy in” to diversity programs is a challenge, particularly among middle managers who are often the ones responsible for implementing key aspects of such programs.

Similarly in focusing on the asset management sector of the financial services industry, the USI Diversity Report made the following key findings and assessments:

- The asset management industry has been particularly slow to respond to the trend witnessed in American industry broadly of fostering diversity in its workforce. Yet a heightened awareness of the role and import of diversity practices is seeping into the asset management space. This awareness has been driven by many factors, including ***(i) changes in asset management client behavior and expectations, (ii) changing demographics of the U.S. workforce, (iii) new trends in investment practices, and (iv)***

***new legislation or sustained legislative and governmental focus at the state/local level on the implementation or achievement of diversity benchmarks or milestones.*.**

- Regarding "Attitudes Toward Workforce Diversity," half of the USI Report's research survey questions elicited information on the senior level executive's perspective on how workforce diversity affected the firm's operations. All respondents indicated a belief that workforce diversity had a positive effect on the overall operations of the firm, with 72% of such respondents labeling such effect "significant." The following chart captures "yes" response percentages to questions asking if workforce diversity improved performance of specific functional areas of the firm's business.

Question: Does Workforce Diversity Improve Business Performance?

Business Area	"Yes" Response Percentage
Portfolio Management	90%
Marketing & Client Service	90%
Sales & Retail Service	80%
Operations, Technology & Finance (includes Administration)	85%
Compliance & Human Resources	75%

- ***While 100% of respondents firms indicate a belief that workforce diversity made a positive impact on each area of a firm's business and operations, respondent firms' are substantially non-diverse and their aggregate workforce consists of: (a) nearly 90% Caucasian on the Professional/Executive level and (b) nearly 80% Caucasian on the Professional/Non-Executive level. In stark contrast, the majority or highest levels of workforce diversity in the U.S. asset management sector is concentrated in the Administration/Administrative band or sub-area of the Operations, Technology and Finance function.*** Consequently, the U.S. asset management sector trails U.S. private industry broadly and woefully with respect to minority and women representation on both the Professional/Executive and Professional/Non-Executive employment workforce levels within operating firms and companies.

- There are three primary "key success drivers" in attracting and retaining a more diverse workforce: (1) workforce diversity efforts require a long-term, sustained commitment to be successful; (2) workforce diversity initiatives require a C-Level Executive commitment; and (3) workforce diversity efforts in recruiting and retention—which go hand in hand—should begin very early in an investment professional's career and be consistently supported and maintained by such professional's employing firm or company. Linked to various of these "key success drivers" are ten central best practices, including (i) development of a multi-year plan, (ii) long/short term measuring of success and progress made, (iii) tying workforce diversity goals to executive and managerial compensation, (iv) establishing mentor programs led by C-Level Executive participation, (v) providing ongoing internal training and position/career development opportunities that correspond to increasing business or position demands, and (vi) leverage the expertise of outside organizations, such as NASP which can help with recruitment of qualified minority and women professionals on all career levels.

Likewise in focusing on the investment banking and brokerage sector of the financial services industry, the SIFMA 2007 Diversity Report finds a similarly striking state of affairs based on several of its key conclusions.

- Current workforce diversity remains generally unchanged from 2005 (when the last survey and report was issued). Representation of white men has decreased only slightly from 46% to 45%; whereas, men of color have increased slightly from 10% to 11%, and women of color have stayed level at 11%. Women generally have decreased only slightly or stayed level as compared to 2005.
- ***From the Associate level upward to the Manager and then Executive levels, representation of minority and women professionals decreases at a fairly steady rate at each higher level across the surveyed investment firms.***
- While investment firms surveyed have increased general accountability of managers for diversity performance and results by measuring managerial performance through both performance reviews and management-by-objectives, ***the majority of investment firms***

report that they still do not offer financial rewards for or tie compensation or monetary incentives to diversity performance at the managerial or executive levels.

- ***Investment firms and companies that do not in some way measure their managers' diversity performance are 2 ½ to 6 times more likely to fall below the median for representation of minority and women professionals in their respective workforces.***

It is also a reasonable implication that those investment firms that do in fact measure and periodically assess their managers' and executives' diversity performance but do not tie-in or link a compensation or other financial incentive to such managerial diversity performance are still more likely than not to fall below median levels for representation of minority and women professionals in their respective workforces. In totality across the various diversity studies and reports from the GAO, the USI and SIFMA above, what we see from our industry vantage point is a disappointing, woefully incremental and unacceptable picture of diversity in the U.S. financial services industry, one of the lifeblood and key industries U.S. and global economy as we all move forward into the 21st century and beyond.

We firmly believe that the best way to impact the disappointing and incremental diversity metrics and fundamentally change and accelerate industry diversity implementation is to do business with minorities and women wherever they are found, either within majority-owned firms or minority- or women-owned firms. ***There must be both external and internal economic incentives to positively impact workforce diversity.*** (See generally Appendix B and Key Statistics and related studies cited therein.) As an internal economic incentive to achieve meaningful workforce diversity within majority institutions, managerial diversity performance should be measured periodically and incentivized by being tied to compensation or other economic or financial reward.

Moreover, the path to senior management and corporate board membership in majority firm institutions is job success. Minorities and women must have clients from whom they generate significant revenue. In minority- and women-owned firms, the same concept applies. The growth and viability of these institutions is dependent upon clients with whom they can do business. (See generally Appendix B and Key Statistics and related studies cited therein.) As one external economic incentive to positively impact workforce diversity in the financial services industry, the federal

government as "Client" should establish diversity goals across its agencies and pension/investment plans in their utilization of financial and investment services professionals when engaged in financial services and investment activities. More specifically, the evaluation process to hire financial services providers should include a diversity component with weight. For example, as part of the RFP process, firms would have to answer questions about the ethnic and gender composition of their Board of Directors and senior and mid-level managers using EEOC data. All things being equal – performance, fees, continuity of the investment team etc., this additional evaluation mechanism could incentivize firms to improve their diversity profile. Diverse financial professionals (inclusive of people of color and women) would be responsible for and handle the financial services business of the federal government for there respective firms thereby generating significant revenue leading to job success.

INDIVIDUAL EXPERIENCES WITHIN MINORITY AND MAJORITY FIRMS

There have been many individual experiences, which have impacted my development and ability to succeed within the financial services industry. Beginning as early as high school, I have received the necessary sponsorship to realize my potential. The following selected stories are examples of that support:

As I crossed the Chicago River at 5:30 a.m. in 1990, it was pitch dark and freezing. I questioned why I was up so early during my winter holiday break. I had a job that made decent money and I did not want to squander my opportunity to work at Refco. I did not know much about how the traders made their decisions or why they would scream, but I knew I had to learn what futures, options, puts and calls were. The CEO of Refco wanted to see me around lunch so I would pick his brain then. His office was cavernous and to my surprise there were more traders on his floor. He asked me about the day and I asked what he did. He explained that he watched his computer screen all day for the color red and green. I was eighteen and the CEO of a Chicago brokerage firm had given me a job as a runner at the Chicago Mercantile Exchange during winter break.

Five years later I sat on another bustling trading floor at Morgan Stanley. The sound of constant phones ringing with periodic outbursts over background chatter filled the space. I was at my computer working the graphics on a power point presentation to a client when all the noise seemed to fade. It was if time had stopped when I heard his voice calling me. I turned and there was the CEO of Morgan Stanley, and amidst the crowd of Managing Directors jockeying for his hand he stood over me, a first year analyst. When I reached to shake his hand, he quickly raised his arms to my chest and began to push me, but I got "inside hands" on him. The CEO had played college football and "inside hands" was a technique used to gain leverage over your opponent. There we were, the CEO and I fighting for "inside hands" position.

The CEO had interviewed me during my recruiting process and we had met several times. But that day, he made a public commitment to my success. Our interaction made it the clear that we had a relationship and that he was my sponsor. My colleagues knew that supporting me would be consistent with the goals of the firm. As a result, I was given opportunities to attend client meetings, work on a range of deals and work directly for the CEO on several deals. Through Morgan Stanley, I worked in capital markets, corporate finance, and mergers and acquisitions while living in the United States, Africa, Asia and Europe.

Seven years later I was eating with Isaac Green and his partners at the Durham, North Carolina based Piedmont Investment Advisers, where I am currently a senior vice-president. Mr. Green had held several senior roles in asset management in both minority and majority firms. Early in his career, he gained senior experience at a minority-owned boutique, which ultimately qualified him for an upper management role at a majority-firm.

At this point, Mr. Green was CEO of Piedmont Investment Advisors, building his own minority-owned company with two partners from his predecessor firm. They had recently struck a partnership with North Carolina Mutual, which would bring assets under Piedmont management to approximately $200M. He spoke about a vision and a passion for what Piedmont could bring to the marketplace and it resonated with me. As I discussed my investment banking experience at Morgan Stanley, I knew that Mr. Green and his team were an undiscovered talent and that it was a fantastic opportunity. I was

excited because I felt that the opportunity to manage money at Piedmont was very real. In fact, I felt that Piedmont was the perfect situation for me to leverage the skills I had gained at Morgan Stanley, but with the added benefit of being an equity owner, entrepreneur and innovator within the financial services industry. I would have the freedom to realize my talents and my success could go as far as my talents allowed.

One year later, Mr. Green and I had an introductory meeting at General Motors Asset Management. The previous month I had met the CEO, another Duke alumnus at Duke Career Week, and he asked that I contact him for potential business opportunities. Eleven people sat across the table waiting to hear our pitch. The dialogue was substantive and thoughtful. The General Motors team listened to our multi-disciplinary investment strategy and asked probing questions. Today, Piedmont is one of GMAM's most successful money managers. Since 2000, Piedmont has been a recognized leader in innovative asset management and grown to $ 2 billion under management.

My previous experiences on the Chicago Mercantile Exchange, Morgan Stanley and now at Piedmont have made me a well-rounded financial services professional. The common ingredient in each of those experiences has been a powerful sponsor who has supported and shaped my career. The CEO of Refco, Morgan Stanley and Piedmont Investment Advisors, have continued to mentor me to this day.

These stories reflect my career evolution and serve to reaffirm how high-level sponsorship and investment in minorities and minority-owned firms can increase recruitment and retention of diverse financial services professionals. In each case, sponsorship came from the CEO level. As important as the mentoring, was their public commitment to me, which encouraged upper and middle managers to also embrace their responsibilities to develop talent.

In summary, we are excited that elected officials have focused on this issue. Increasing the diversity within the financial services industry is critical to the economic growth of this country. As America becomes more diverse, it must fully utilize the talents of all its professionals to keep up. A more diverse workplace facilitates competition, pricing efficiency, and product innovation. The United States enjoys the largest multi-ethnic and cultural country population in the world. Realizing the

potential of our diverse perspectives, ideas and solutions is absolutely necessary to compete in the global economy.

PROPOSED ACTIONS TO INCREASE DIVERSITY IN THE FINANCIAL SERVICES INDUSTRY

In light of the industry information regarding the state of diversity and the individual experiences conveyed above, NASP recommends the following steps to increase recruitment and retention of diverse financial services professionals and to improve diversity in the financial services industry.

- Link diversity components at the mid- and senior management- levels to salary/bonus compensation. This is a way of reinforcing the importance of these programs to the organization's overall business objective.

- Target recruiting efforts and establish partnerships with well known organizations that support women and minorities such as ours along with the TOIGO Foundation, INROADS, Sponsors for Educational Opportunity and the National Associations of Black and Hispanic MBAs

- Establish relationships with HBCUs and Historically Hispanic Serving Colleges and Universities to build the pipeline for pursuit of careers in financial services by diverse individuals.

- Connect with the Executive Leadership Council, the Marathon Club, the New America Alliance and others on recruiting senior-level executives and corporate board members.

- Take all active and supportive steps to fully implement the letter and spirit of U.S. House Resolution, H. CON. RES. 429, which was introduced by Congressman Gregory Meeks, co-sponsored by 81 members of Congress, and adopted on a bi-partisan consent basis in 2007. This Resolution seeks all active measures to increase the demographic diversity of the financial services industry.

(See best practices discussions in USI Diversity Report; SIFMA, *Diving Into Diversity...A Springboard for Getting Started*, available in HR/Diversity section of SIFMA website; and SIFMA Diversity Report.)

We also recommend that the federal government as "Client" in its vendor evaluation, review and selection process incorporate a "diversity-component factor with weight" for all of its financial services and investment services providers as outlined above. One U.S. industry example that is

instructive and where a “measurement-incentive strategy” has already been implemented with some meaningful success and progress is within the legal services or law firm industry. Through the combined efforts of two industry trade associations, the Minority Corporate Counsel Association (MCCA) and the American Corporate Counsel Association (ACCA), along with over 100 general counsels from many of the largest U.S. corporations, a Call to Action was adopted and signed in Fall 2004. The essence of a Call to Action, which was adopted by these general counsels and their companies as the “Client”, is to require their outside law firms that receive legal business revenues from these large U.S. corporations to implement measurable and quantifiable diversity within their respective law firms at the partner and associate levels in terms of business credit for and responsibility and handling of a corporation’s legal matters. Under the Call, if outside law firms decline or otherwise fail to achieve diversity implementation standards of their Client corporations, general counsels and their corporations will either no longer use their outside law firm legal services or restrict or limit the amount of legal business sent to such outside law firms. This has resulted in some instances in the loss to outside law firms of millions or tens of millions of dollars in legal services fees and revenues and has also resulted in some outside law firms losing their corporation Client. (See E. Frater, A *Call to Action Continues: General Counsel Still Leading the Way*, MCCA Diversity & The Bar Magazine (2007; 10th Anniversary Commemorative Issue).)

CONCLUSION

NASP and I are appreciative for this opportunity to add our voice to the discussion of improving diversity in the financial services industry and increasing the recruitment and retention of diverse financial professionals. We stand ready to partner with the House Financial Services Committee, other trade associations, and individual firms to further our stated goal of ensuring that diverse financial services professionals are included in all aspects and at all levels of the financial services industry. We believe that significant progress can be made on these crucial issues, but only when there are clear, defined external and internal economic incentives, direct accountability, and enforcement.

Thank You.

APPENDIX A

- NASP Headquarters & Chapters

National Association of Securities Professionals
1212 New York Avenue, NW, Suite 950
Washington, DC 20005
202-371-5535/ phone • 202-371-5536/ fax

NASP has local chapters in the following U.S. Cities. Visit www.napshq.org for more information.

- Atlanta
- Boston
- Chicago
- Detroit
- Houston
- New York
- Philadelphia
- Baltimore/Washington
- Los Angeles
- San Francisco

- Mission Statement

As a professional organization, NASP serves as a resource for the minority community at large and for the minority and women professionals within the financial services industry, by providing opportunities to share information about the securities markets, including functioning as a repository for information regarding current trends, facilitating fundamental educational seminars, and creating networking opportunities.

- Objectives/Principles

The objectives of NASP are as follows:

- To pursue the highest standards of professionalism and excellence among NASP members
- To achieve equal opportunity for minorities and women in the securities industry
- To foster the growth and development of minorities and women; and, of minority-controlled and women-controlled institutions in the securities industry

- To enhance communication among members

- To increase public awareness, especially among minorities and women, of public and private finance career opportunities

- To pursue progressive and balanced policies affecting public and private finance

In pursuing our organizational objectives, NASP supports the following principles:

- We uphold the law that bans racial, ethnic or gender discrimination in employment.

- We believe that racial, ethnic or gender discrimination in employment, business contracts and related activities is immoral and an unsound business practice.

- We support equal and fair employment practices including, without limitation, the hiring, compensation, training, promotion and retention of African-Americans, Hispanic-Americans, other Americans of color, and women.

- We support the development of training programs that will prepare significant numbers of African-Americans, other minority Americans, and women for management, ownership, supervisory, administrative, clerical, sales and technical positions in all financial services business activities.

- We support equitable participation and equal opportunity in all business dealings.

- Origin & Founding

Established in 1985, The National Association of Securities Professionals (NASP) is a non-profit association of professionals in the financial services industry. NASP brings together the nation's minorities and women who have achieved recognition in the industry as brokers, asset managers, public finance professionals, consultants, investment bankers, bond counsel, commercial bank underwriters, investors, plan sponsors and other finance professionals. Membership is open to any individual or organization regularly engaged in a responsible function in the securities industry.

- NASP History

On February 2nd 1985, in the office of the Metro Equities Corporation in Chicago, 44 men and women from the financial services industry, got together with an idea and a plan of action. Donald R. Davidson, Maynard H. Jackson, Joyce M. Johnson, and Felicia O. Flowers-Smith, came together with the intention to not only inspire change within the financial services industry, but to achieve their aspirations of equality for women and minorities in the field.

The idea: create an organization of like minded people who could exchange ideas and share the successes and frustrations of working in the financial services industry. The name of the organization, as suggested by Maynard H. Jackson, would be the National Association of Securities Professionals.

Two months later, on Friday, April 12th, 1985 the National Association of Securities Professionals reconvened in San Francisco for the second organizational meeting. It was at this meeting that an agenda for action was created.

Now, 21 years later, the National Association of Securities Professionals is still strong, still striving for excellence, and not only celebrating our legacy but charting a new course for our success.

- Wall Street Finance and Scholastic Training Program (FAST Track) Program

The Wall Street Finance and Scholastic Training Program, or FAST Track, is a rigorous curriculum that was launched in November 1996 by the New York chapter of the National Association of Securities Professionals (NASP). The program was started in an effort to attract more minorities to the securities industry by identifying high school students with an interest in the field early enough to give them training, internships, and experiences they would need to succeed. In the ten years since FAST Track was started in New York, NASP has expanded this invaluable program across the country.

All chapters are required to incorporate FAST Track into their ongoing work, although chapters are encouraged to structure the program as they see fit. As a result, no two FAST Track Programs are identical. The New York FAST Track, for instance, will differ slightly from the Philadelphia program, and the Houston program may have unique features or components not found in Philadelphia, etc. Several chapters, for example, have expanded FAST Track to include a financial literacy component. Some of these chapters tailor their financial literacy component to fit the students, while others offer targeted curricula for the parents of FAST Track participants. By integrating financial literacy into FAST Track NASP hopes to provide African Americans with the information, confidence, and skills they need to build wealth. (According to a 2002 report issued by the Consumer Federation of America, African American households have less than one-quarter the net worth of other U.S. households – $15,500 for black families, compared to $71,700 for other American families.)

The students who participate in the program are identified through a variety of channels. We work with community organizations, teachers, school administrators, and career and guidance counselors to identify bright, promising students who have expressed an interest in business, finance, or economics. Most of our FAST Track Programs target high school students, although two chapters have chosen elementary and junior high school students as their target applicant pool. The duration of the program can vary, from three months for a summer FAST Track Program to two years. Criteria for acceptance to the program varies slightly from chapter to chapter. However, most NASP chapters require:

- that students complete a written application;
- a written personal essay that demonstrates the student’s communication skills;
- a recommendation from a teacher or guidance counselor; and
- at least a B grade point average.

NASP is grateful to the many financial and law firms, corporations, small businesses, and universities that have supported this effort from its inception. These sponsors and allies have generously provided in-kind donations – such as printed materials and meeting space – and have allowed FAST Track students the opportunity to meet with and learn from their senior employees working in the industry. A few firms also have offered summer internship opportunities and have contributed money to scholarships that are awarded to college-bound FAST Track graduates. Finally, individual professionals have stepped forward to volunteer their time as mentors.

Annual Mentors Luncheon and Online Career Center

As part of our community outreach initiatives, NASP seeks to inspire and encourage minority and women students to build careers as finance professionals. In order to do so, we have developed mentoring relationships with our “next generation” that include candid discussions regarding the crossroads and pathways to success in the global financial services industry. The purpose of the Annual Mentors Luncheon, which is in its 9th year, is to encourage minority and women undergraduate and MBA students to pursue careers in the financial services industry. This event, which takes place in New York, features a panel of financial services professionals who share their experiences with the students. Since the inception of the program, we have been able to expose over 2,700 students representing several northeastern universities and colleges to careers in the financial services industry. Additionally, NASP has partnered with Historically Black Colleges and Universities on this initiative. Over the past five years, companies such as Goldman Sachs and Citigroup have been partners in this effort.

In addition, NASP maintains a career center on its website which serves as a clearinghouse and job bank for potential candidates and employer-firms who are interested in expanding their firm’s diversity by reaching a broader and more diverse pool of candidates. This website is free to the public and can be accessed at www.nasphq.org.

Annual Pension Fund & Financial Services Conference

The NASP Annual Pension Fund & Financial Services Conference annually attracts the most senior minority and women professionals who come to seek out future business opportunities. Plan sponsors and allied government professionals also attend in order to take advantage of the training and professional development programs. For the past 16 years, this conference has evolved into one of the nation's largest gatherings of successful minority and women professionals engaged in all facets of the financial services industry. This impressive group of finance professionals includes corporate treasurers, public and corporate plan trustees, broker-dealers and investment banking firms, asset management firms, pension/investment consulting firms, and world-recognized economists. For example, our 2006 and 2007 annual conferences—our 17th and 18th annual conferences, respectively—were supported by the following partners and sponsors: AIG Global Investment Group, Alliance Bernstein, Citigroup, Comerica, General Electric Asset Management, Goldman Sachs Asset Management, Invesco, JP Morgan, Lehman Brothers, Lewis & Mundy, M.R. Beal & Company, Nixon Peabody, Siebert Branford Shank & Co., State Street Global Advisors, and UBS among many other financial services firms. For a complete list, please see Partners and Sponsors list below.

Legislative Committee & Symposia

In furthering NASP's goal of being a voice for minorities and women to the executive, legislative and regulatory branches of government, we actively engage in legislative initiatives. In March of 2006, NASP held its First Annual Legislative Symposium in Washington, D. C. which focused on the topic of "Reshaping the Regulatory Landscape – What's at Stake for Securities and Financial Services Firms in a Changing Regulatory Climate." Then-Speaker of the House Dennis Hastert (R-IL), Chairman of the Congressional Black Caucus Melvin Watt (D-NC), House Financial Services Committee member Gregory Meeks (D-NY), SEC Commissioner Roel Campos, Pension Benefit Guaranty Corporation (PBGC) Executive Director Bradley Belt, and Matthew Slaughter from the White House Council of Economic Advisers were a few of our featured speakers. Key financial oversight representatives and decision-makers from Congressional committees, trade associations, and federal and regulatory agencies also participated in this event.

In March, 2007, NASP held its Second Legislative Reception and Symposium entitled "What's At Stake for Financial Services Firms in a Changing Congressional Climate". The Honorable Charles Rangel, Chairman of the U.S. House Ways and Means Committee was our kick-off reception speaker. Also in attendance were Congressional members Luis Gutierrez (D-IL), Melvin Watt (D-NC), Corrine Brown (D-FL), Danny Davis (D-IL), Stephanie Tubbs-Jones (D-OH) and Gregory Meeks (D-NY). Pension Plan participants included William Atwood, Executive Director, Illinois State Board of Investment, Fred Buenrostro, CEO, California Public Employees Retirement System (CalPERS), Joseph Haslip, Assistant Comptroller for Pensions, Office of the New York City Comptroller, and Stephanie Neely, Treasurer, City of Chicago.

- NASP Chairs (Past)

Maynard H. Jackson
Joyce M. Johnson
William H. Hayden
Alphonso E. Tindall, Jr., Esq.
Ernest Green
Marquette Chester
Travers J. Bell, Jr.
David Baker Lewis, Esq.
Raymond J. McClendon
Patricia Garrison Corbin
Eugene J. Duffy
Cheryl E. Marrow

- NASP History at a Glance

1985- NASP founded in Chicago by Maynard H. Jackson, Felicia Flowers-Smith, Joyce M. Johnson and Donald Davidson

1986- First Annual Meeting in Washington featured Paul Volcker, Chairman, Federal Reserve

1988- First Panel on opportunities in Asset Management and Pension Funds at Annual Meeting

1990- First Annual Pension Fund Conference held in Chicago chaired by Henry Parker, former treasurer, State of Connecticut

1991- Travers J. Bell, Jr. Award established in honor of his life and for his extraordinary contributions as a national financial leader and entrepreneur

Joyce M. Johnson Award established in honor of her legacy, dedication and contributions made in the securities industry

1993- Annual Meeting in Washington featured Robert Rubin, U.S. Secretary of the Treasury

1994- NASP board members met with SEC on municipal bond regulation; NASP Washington headquarters opened with first full-time executive director, Teresa Doke

Pacesetter Award established in recognition of individuals that have ensured or promoted the full involvement of women and minorities in the securities industry

1995- 10th Anniversary Celebration and Annual Meeting & Conference featured keynote speaker Andrew Young, Vice Chairman, Law Companies Group, Inc.

1998- Annual Pension Fund Conference in Detroit featured keynote speaker Reverend Jesse L. Jackson, President & CEO, Rainbow/PUSH Coalition and Carol Moseley-Braun, First African American woman elected to U.S. Senate

2000- 15th NASP Anniversary celebrated at Annual Pension Fund Conference in New York

2003- Co-Founder Maynard H. Jackson delivered his last address at the 14th Annual Pension Fund Conference in Atlanta, Georgia

2004- 15th Anniversary of the Annual Pension Fund Conference in Chicago celebrated our NASP legacy with a special tribute to late Co-Founder Maynard H. Jackson

Maynard Jackson Entrepreneur of the Year Award was established to honor the financial service professional that best exemplifies entrepreneurial achievement, community service and high moral standards.

- Partners and Sponsors of the 2006 & 2007 Annual Pension Fund and Financial Services Conferences
  - Citigroup
  - Comerica
  - Invesco
  - Lehman Brothers
  - Lewis & Munday
  - Siebert Brandford Shank & Co., LLC
  - UBS
  - Brown Capital Management
  - Earnest Partners
  - Northern Trust
  - Toyota
  - Goldman Sachs Asset Management
  - Wells Fargo
  - Williams Capital
  - AA Capital Partners, Inc.
  - Advent Capital Management
  - Ariel Capital Management
  - Davis Hamilton Jackson & Associates
  - Holland Capital Management
  - The Edgar Lomax Company

- MR Beal & Company
- ICAP
- Jackson Securities
- Mercer Investment Consulting
- New Amsterdam Partners
- Progress Investment Management Company
- Edwards & Angell
- Alliance Bernstein
- Alpine Global Investments
- Ambassador Capital Management
- Boeing
- Channing Capital Management
- Cooke & Bieler
- Delaware Investments
- FIS Group
- Globalt Investments
- Goode Investment Management
- Greektown Casino
- Gabire Roeder Smith & Co.
- Loop Capital Markets
- Lord Abbett
- Loomis Sayles
- MDL Capital Management
- Merrill Lynch
- Mesirow Financial
- Morgan Stanley
- New England Pension Consultants
- Nixon Peabody
- Oracle Capital Partners
- Paradigm Asset Management
- Piedmont Investment Advisors
- Safeco Insurance
- SBK-Brooks
- Seneca Capital Management
- Shell
- Smith Graham & Company
- Smith Whiley & Company
- Synovus
- Taplin, Canida & Habacht
- Wolf Haldenstein Adler Freeman & Herz
- The Yucaipa Companies

National Association of Securities Professionals

APPENDIX B

KEY STATISTICS

regarding

MINORITY- AND WOMEN-OWNED FINANCIAL SERVICES FIRMS

MINORITIES AND WOMEN EMPLOYED AT MAJORITY-OWNED FIRMS

CORPORATE AND PUBLIC PENSION PLANS BENEFITING FROM MINORITY INCLUSION PROGRAMS

Over 8,600 registered investment advisors registered with the SEC managing $24.3 trillion in assets *– A Dialogue on Emerging Managers & Related Topics: Progress Investment Management (2005)*

More than 80% of these assets are managed by 100 "mega" financial services firms – *PCA Research Brief: A Review of Developing Managers and Developing Manager Programs (July 2003)*

The remaining 20% (or nearly $5 trillion) of assets are managed by more than 8,500 registered investment advisors of which over 7,000 manage less than $1 billion in assets. The industry is really comprised of many small firms not large ones - *A Dialogue on Emerging Managers & Related Topics: Progress Investment Management (2005)*

***80% of all registered investment advisors have 10 employees or less. Most firms in the industry are smaller firms with 10 or fewer employees - ****A Dialogue on Emerging Managers & Related Topics: Progress Investment Management (2005)*

There is no broad-based difference in investment performance or investment risk between [minority and women and majority] managers.
- PCA Research Brief: A Review of Developing Managers and Developing Manager Programs (July 2003)

***For the five years ending September 2005, roughly 40% of the core U.S. Equity managers in the top performance quartile were with firms managing less than $2 billion. This implies that the minimum firm size requirements typical of large plan sponsor searches immediately exclude a large proportion of the highest performing managers - ****T.Krum/Northern Trust, Potential Benefits of Investing With Emerging Managers: Can Elephants Dance? (March 2006)*

MANAGER SIZE BY CLASS

	5 (SMALL)	4	3	2	1 (LARGE)	
Percentage of All Managers	33.0%	22.8%	13.2%	15.3%	15.8%	100.0%
Performance Quartile						
1	39.1%	21.1%	10.5%	14.3%	15.0%	100.0%
2	33.8%	23.3%	10.5%	19.5%	12.8%	100.0%
3	36.8%	24.8%	10.5%	10.5%	17.3%	100.0%
4	22.0%	22.0%	21.2%	16.7%	18.2%	100.0%

Source: Nelson's Marketplace

[The above chart] shows the composition of each of the four performance quartiles and compares it with the composition of the total manager sample. The smallest managers make up 39.1% of the top quartile, even though they make up only 33% of the total sample. No other group is overrepresented in this way - *T.Krum/Northern Trust, Potential Benefits of Investing With Emerging Managers: Can Elephants Dance? (March 2006)*

Why do the smallest asset managers frequently have such strong performance advantage over larger ones? In more than 25 years of working with smaller firms, [Northern Trust has arrived at their] own largely qualitative answers:

- ***Greater appetite for risk among entrepreneurial owner-portfolio managers.***

- ***Less bureaucratic working environment, allowing crisp decision making.***
- ***Greater motivation and less complacency.***
- ***Fewer liquidity problems.***
- ***Greater organizational flexibility to deal with changing market environments.***

T.Krum/Northern Trust, Potential Benefits of Investing With Emerging Managers: Can Elephants Dance? (March 2006)

There are three fundamental reasons to work with [minority- and women-owned firms]: alpha, diversification and diversity. [Minority- and women-owned firms] find and use new and different sources and generate more relative and absolute alpha; [Minority- and women-owned firms] mitigate large firm concentration risk, enhance participation and return opportunity and sustain a robust industry and; [Minority- and women-owned firms] democratize the deployment of capital and its management - *A Dialogue on Emerging Managers & Related Topics: Progress Investment Management (2005)*

MINORITY- AND WOMEN-OWNED FINANCIAL SERVICES FIRMS

Over 70% of firms have been in business more than 10 years (1/3 over 15 years) – *A Dialogue on Emerging Managers & Related Topics: Progress Investment Management (2005)*

41% have an investment team with average experience between 10 and 20 years – *Emerging Managers and other Financial Service Providers Database: Altura Capital*

Of more than 500 minority- and women-owned financial services firms:

- ***more than 30% are African-American owned;***
- ***42% are women-owned;***
- ***nearly 12% are Asian-American owned and;***
- ***more than 6% are Latino-American owned***

- A Dialogue on Emerging Managers & Related Topics: Progress Investment Management (2005)

<u>**MINORITIES AND WOMEN EMPLOYED AT MAJORITY-OWNED FIRMS**</u>

All statistics are from 2005 SIA Report on Diversity Strategy, Development & Demographics

15% of senior-level management positions are held by men of color, 21% are held by white women and 8% by women of color.

24% of senior level management positions are held by people of color with

14% of this group being of Asian/Pacific Islander origin; 5% being of African-American origin and 4% being of Hispanic/Latin American origin color.

People of color are still employed at lower levels in the organization with 68% of people of color being employed at the Analyst/Associate and mid-level positions.

CORPORATE AND PUBLIC PENSION PLANS BENEFITING FROM MINORITY INCLUSION PROGRAMS

Plan Sponsor	**Assets**
CALPERS	$242 billion
General Motors Corporation	$126 billion
NYC Employees Retirement System	$109 billion
GE Asset Management	$76 billion
Boeing Company	$69 billion
Verizon Communications	$64 billion
State of Connecticut	$24 billion
Shell Oil Company	$15 billion
Illinois State Board of Investment	$12 billion