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**BOARD OF GOVERNORS  
MEETING MINUTES  
21 November 2006  
Conference Call**

Notice: 27 September 2006

Governors Present:

Alida Carcano, CFA	Daniel S. Meader, CFA
Pierre Cardon, CFA	George W. Noyes, CFA
Jeffrey J. Diermeier, CFA	Nicola Ralston, FSIP*
Vincent Duhamel, CFA (Chair)	Brian D. Singer, CFA
Emilio Gonzalez, CFA	John C. Stannard, CFA, FSIP
Monique E.M. Gravel, CFA	Ashvin P. Vibhakar, CFA
James E. Hollis, CFA	Thomas B. Welch, CFA
Samuel B. Jones, Jr., CFA	Teong Keat (T.K.) Yap, CFA*
Stanley G. Lee, CFA	Jose Luis Velasco, CFA

Governors Absent: Margaret E. Franklin, CFA

Presidents Council  
Representatives

Present:

Terence E. Burns, CFA	Todd Parker Lowe, CFA (Chair)
Kathleen C. Chrisman, CFA	Jeffrey Matthias, CFA
Beth Hamilton-Keen, CFA	Joni K. Pierce, CFA
Helmut Henschel	

Also Present: John L. Bowman, CFA, Director, Business Development, CFA Institute  
Raymond J. DeAngelo, Managing Director, Member & Society, CFA Institute  
Michael K. Dalton, Managing Director, Information Technology, CFA Institute  
Robert R. Johnson, CFA, Managing Director, CFA Program, CFA Institute  
Joseph P. Lange, Corporate Secretary, CFA Institute  
William P. McKeithan, General Counsel, CFA Institute  
Guy P. Williams, Head, Finance and Risk Management, CFA Institute

Materials

Distributed

Prior to Meeting: Meeting Agenda  
Executive Summary/Financial Report and Audit Report dated 21 November 2006  
Unconsolidated Fiscal Year 2006 Summary Twelve Months Ended 31 August  
2006 dated 21 November 2006  
CFA Institute Consolidated Financial Statements as of 31 August 2006 and 2005  
Research Foundation Consolidated Financial Statements as of 31 August 2006  
and 2005

\* Present for Part of Meeting

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Management Discussion and Analysis for Fiscal Year 2006 dated 21 November 2006  
Curriculum Bundling/Frequently Asked Questions  
Curriculum Bundling PowerPoint  
Plan for Information Technology – Update PowerPoint  
Executive Committee Guidance to the Nominating Committee Fiscal Year 2007  
Awards Committee Background Information Fiscal Year 2007  
Board Meeting Minutes: 12 July 2006 (Executive Session); 21 July 2006 (Executive Session); 21 July 2006; and 14 September 2006

Chair: Vincent Duhamel, CFA

Meeting Secretary: Joseph P. Lange

### **Financial Results and Audit Report**

The chair of the Audit and Risk Committee (ARC) gave her opening remarks on the financial results and Audit Report. PricewaterhouseCoopers (PwC) completed on-schedule their audit of the CFA Institute financials. There were no material control points, no reporting conditions, and no disagreements with management. There was one agreed upon adjustment with the timing of a contract regarding amortization and accounting of that contract. ARC is satisfied with the integrity of the financial statements and stated that they accurately represent the results of the organization for fiscal year 2006.

The Chief Financial Officer provided a brief overview of the financials. CFA Institute has a budget system and general ledger system. The organization budgets down to the department, to the account, and to the project so that managers can have their comparison of budget to actual on a monthly basis. Approximately each quarter, the Management Committee reviews this information in line-item detail at the upper-part of the general ledger. Then quarterly financial reports are made to both the ARC and Board. High points for this year were noted as follows:

- Approximately 9,000 more candidates plus an additional 5,000 members over budget;
- Approximately 9 million dollars over budget, mostly from candidate fees;
- Higher curriculum sales than expected;
- Additional volume in programs and conferences;
- Under budget in expenses by about 1 million dollars, resulting from open staff positions, travel, and travel associated with committees.
- Exam administration was under budget;
- Operating margin 4.4 million dollars, compared to the 5.6 million dollar loss budgeted; and
- 119 million dollars in reserves, up 20 million dollars from the previous year;

The Board proceeded to discuss the financials and the following resolution was passed unanimously:

RESOLVED, that the Board of Governors approve the Audit Report and accompanying audited financial statements for the fiscal year ending 31 August 2006 substantially in the form presented at this meeting.

### **Bundling of CFA Program Curriculum**

The director of Business Development briefed the Board on the bundling of CFA Program Curriculum. In 2004, the CFA Preparation Task Force convened to address candidate performance. In May 2005, the Task Force unanimously recommended to the Board that the CFA Program curriculum be bundled with the exam enrollment fees. Providing the curriculum to all enrolled candidates serves the CFA Institute educational mission and ensures that all candidates will have equal access to this material. It was emphasized that there is no substitute for studying the curriculum.

CFA Institute has substantially enhanced the format of the CFA Program curriculum in recent years. The most significant change is that the assigned readings (originally only available as sections of larger source books) have been assembled into multiple self-contained volumes. This new flexibility enables individual readings to be revised and updated as needed.

The organization is very sensitive to costs to candidates and took great care to price the bundled curriculum fairly. CFA Institute views this as a mission-driven initiative to provide a service to CFA candidates and to the profession as a whole. To that end, the curriculum portion of the bundle is priced as a mission benefit rather than a profit generator. Specifically, the curriculum pricing reflects the spreading of CFA Institute's costs over the candidate base as well as an organizational decision to absorb a portion of those costs internally.

It was explained to the Board that the bundled curriculum will be available for 2008 candidates in July 2007. The \$600 fee (\$220 increase for candidates that previously did not purchase the curriculum) at each exam level will include:

- Enrollment;
- Custom curriculum; and
- One sample exam.

Candidates who do not pass the June Level I exam and enroll to retake the exam in December of that same year will not be charged twice for the curriculum. Their enrollment fees for the December exam will be reduced to reflect the fact that they already own the curriculum. The enrollment fees for candidates who retake the same exam in consecutive years will be reduced. However, given the year-to-year changes, customization, and improvement in the curriculum, each candidate will receive a new set of curriculum.

The Board discussed issues surrounding pricing for the bundled curriculum. A comprehensive plan was outlined for communicating the bundling to candidates, employers, societies, prep course providers, and members.

### **Plan for Information Technology Update**

The managing director of Information Technology (IT) provided its report. In early 2005 it became apparent that the organization's legacy system was not able to meet the future growth needs of CFA Institute. The Board in July 2005 approved a three-year plan to overhaul the information technology platform while lowering the costs. Management formed a cross-functional team of key members of staff to look for new application software to form the nucleus of the application portfolio, and that group selected the Siebel system. The current status of the project was outlined to the governors and it was

explained that the project is roughly two weeks behind schedule. It was noted that the Audit and Risk Committee has been kept apprised of the progress made on implementing the new system as well.

### **Nominating Committee Report**

The chair of the Nominating Committee gave an overview report. The objectives and members of the Committee were identified. It was explained that the group was reviewing a very rich and diverse list of candidates for governor. The Committee was also utilizing institutional knowledge of previous nomination committees when vetting potential nominees. Key points in this year's guidance provided by the Executive Committee were noted as follows:

- Maintain the size of the Board at 19 members (including the CEO);
- Individuals with unique stature, profile, and representation at a senior level in the industry; and
- Individuals with CFA Program experience.

It was stated that the Committee was making progress in developing a list of leading candidates as they fall broadly into the following three categories:

- Industry figures;
- Specialists in the CFA Program; and
- Generalists and industry specialists who are in leadership roles.

### **Awards Committee Report**

The chair of the Awards Committee briefly discussed the process for determining award recipients. It was explained that CFA Institute does not present every award each year but instead looks for particularly deserving candidates. The Board was requested to review the list of board awards available for presentation and submit to the Committee thoughts on potential recipients.

### **Internal Reorganization of CFA Institute**

The CEO updated the Board on the reorganization of various departments within CFA Institute brought about with the departure of managing director Katy Sherrerd, CFA. The management group will be discussing key infrastructure changes in the near future. The following resolution was passed unanimously.

RESOLVED, that the Board of Governors offer its thanks and great appreciation to Katrina F. Sherrerd, CFA, for her many and important contributions to CFA Institute's educational and planning efforts over the course of her 20 year career.

### **Litigation Update**

The General Counsel provided an overview and a short history of the litigation and recent developments of the trademark case with the Institute of Chartered Financial Analysts of India (ICFAI). In August, the Indian trial court issued an interim injunction against ICFAI in CFA Institute's favor. ICFAI filed an appeal of that order and at the first hearing on the appeal the court suggested to the parties that they consider mediation. The General Counsel had just returned from five days of mediation discussions in New Delhi and reported on the discussions.

### **Other Business**

The Board accepted the previous meetings minutes as presented.

Staff noted the basic event schedule for the February Board meeting to be held in Beijing, China.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Joseph P. Lange  
Corporate Secretary