



National Association of Securities Dealers, Inc.
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

notice to members 85-22

April 8, 1985

TO: All NASD Members and Level 2 and Level 3 Subscribers

RE: NASDAQ National Market System Grows to 1,861 Securities With 100 Voluntary Additions on April 16, 1985

On Tuesday, April 16, 1985, 100 issues are scheduled to join the NASDAQ National Market System bringing the total number of issues in NASDAQ/NMS to 1,861. These 100 issues, which will begin trading under real-time trade reporting, are entering the NASDAQ/NMS pursuant to the Securities and Exchange Commission's criteria for voluntary designation.

The 100 issues scheduled to join NASDAQ/NMS on Tuesday, April 16, 1985, are:

Symbol	Company Name	Location
ATEC	A. T. & E. Corporation	San Francisco, CA
ALAR	Acapulco Restaurants	Pasadena, CA
ACME	Acme General Corporation	San Dimas, CA
ASKA	Alaska Bancorporation	Anchorage, AK
ALRN	Altron Incorporated	Wilmington, MA
ADCC	Applied Data Communications, Inc.	Tustin, CA
AVDO	Audio/Video Affiliates, Inc.	Dayton, OH
BPOP	Banco Popular De Puerto Rico	San Juan, PR
BDEL	Bank of Delaware Corporation	Wilmington, DE
BRCFF	Barrick Resources Corporation	Ontario, Canada
BKHT	Berkshire Hathaway Inc.	Omaha, NE
BLAK	Black Industries, Inc.	Durham, NC
BLRGZ	Blue Ridge Real Estate Company/ Big Boulder Corporation	Blakeslee, PA
BCMP	Boothe Financial Corporation	San Francisco, CA
BRID	Bridgford Foods Corporation	Anaheim, CA
RCBI	Robert C. Brown & Co., Inc.	San Francisco, CA
CCXN	CCX Network, Inc.	Conway, AR
CDMS	Cadmus Communications Corporation	Richmond, VA
CJOCZ	California Jockey Club	San Mateo, CA
CRDS	Cardis Corporation	Beverly Hills, CA

Symbol	Company Name	Location
CPSA	Central Pennsylvania Savings Association	Shamokin, PA
CRLC	Central Reserve Life Corporation	Berea, OH
CHKE	Cherokee Group (The)	North Hollywood, CA
COBB	Cobb Resources Corporation	Albuquerque, NM
COBAP	Commerce Bancorp, Inc. Preferred	Marlton, NJ
CBKS	Commonwealth Bancshares Corporation	Williamsport, PA
CLIX	Compression Labs, Incorporated	San Jose, CA
CSYN	Computer Synergy, Inc.	Oakland, CA
CCOTS	Consolidated Capital Income Opportunity Trust	Emeryville, CA
CFIN	Consumers Financial Corporation	Camp Hill, PA
CDGI	Courier Dispatch Group, Inc.	Atlanta, GA
DESI	Dahlberg, Inc.	Minneapolis, MN
DAPN	Dauphin Deposit Corporation	Harrisburg, PA
DSL T	Diamond Crystal Salt Company	St. Clair, MI
DIXY	Dixon Ticonderoga Company	Vero Beach, FL
DUQN	Duquesne Systems, Inc.	Pittsburgh, PA
DRCO	Dynamics Research Corporation	Wilmington, MA
FFSL	First Federal Savings & Loan Association of Roanoke	Roanoke, VA
APIO	First Fidelity Savings and Loan Association	Orlando, FL
FRFE	Freedom Federal Savings Bank	Oak Brook, IL
GATO	Lewis Galoob Toys, Inc.	South San Francisco, CA
GSFB	Great Southern Federal Savings Bank	Savannah, GA
HOBC	Howard Bancorp	Burlington, VT
IBISA	IBI Security Service, Inc. Class A	Long Island City, NY
IECE	IEC Electronics Corporation	Newark, NY
IBSI	Independent Bankshares, Inc.	Abilene, TX
INATZ	Indiana National Corporation	Indianapolis, IN
ISOL	Information Solutions, Inc.	Englewood, CO
IRDV	International Research and Development Corporation	Mattawan, MI
INPH	Interphase Corporation	Dallas, TX
ITELW	Itel Corporation Warrants	San Francisco, CA
JPII	J. P. Industries, Inc.	Ann Arbor, MI
KPRO	Kaypro Corporation	Solana Beach, CA
KEAN	Keane, Inc.	Boston, MA
KVLM	Kevlin Microwave Corporation	Woburn, MA
KSTN	Keystone Financial, Inc.	State College, PA
LDMFB	Laidlaw Transportation Limited Class B	Ontario, Canada
LTLE	Arthur D. Little, Inc.	Cambridge, MA
MNAC	Maine National Corporation	Portland, ME
MCRP	Marine Corporation (The)	Milwaukee, WI
MSCP	Massachusetts Computer Corporation	Westford, MA
MGRC	McGrath RentCorp	San Leandro, CA

Symbol	Company Name	Location
MCHT	Mechtron International Corporation	Orlando, FL
MSII	Medicine Shoppe International, Inc.	St. Louis, MO
MABC	Mid America Bancorp	Louisville, KY
MFGC	Midwest Financial Group, Inc.	Peoria, IL
NWLIA	National Western Life Insurance Company Class A	Austin, TX
NPWR	Nationwide Power Corporation	Pompano Beach, FL
NENB	Nevada National Bancorporation	Reno, NV
OSMO	Osmonics, Inc.	Minnetonka, MN
PAWB	Pacific Western Bancshares	San Jose, CA
PAKS	Packaging Systems Corporation	Pearl River, NY
PWST	Pacwest Bancorp	Portland, OR
PAGE	Page America Group, Inc.	New York, NY
PHABY	Pharmacia AB	Uppsala, Sweden
PICOA	Physicians Insurance Company of Ohio	Pickerington, OH
PION	Pioneer Federal Savings and Loan Association	Hopewell, VA
PDGY	Prodigy Systems, Inc.	Edison, NJ
PLFC	Pulaski Furniture Corporation	Pulaski, VA
REID	Reid-Provident Laboratories, Inc.	Atlanta, GA
ROIL	Reserve Oil and Minerals Corporation	Albuquerque, NM
STVI	STV Engineers, Inc.	Pottstown, PA
SIGR	Sigma Research, Inc.	Richland, WA
SKYX	Sky Express, Inc.	Valley Stream, NY
ABUG	Spectrum Group Inc.	Jacksonville, FL
STOB	Standard Commercial Tobacco Company, Inc. (The)	Wilson, NC
STUS	Stuarts Department Stores, Inc.	Needham Heights, MA
SUMI	Sumitomo Bank of California (The)	San Francisco, CA
SUST	Sunstates Corporation	Jacksonville, FL
TRRA	Tera Corporation	Berkeley, CA
TCBY	This Can't Be Yogurt, Inc.	Little Rock, AR
MTWN	Mark Twain Bancshares, Inc.	St. Louis, MO
UFSL	Union Federal Savings & Loan Association	Los Angeles, CA
UNBC	Union National Corporation	Pittsburgh, PA
UCAR	United Carolina Bancshares Corporation	Whiteville, NC
UOBI	United Oklahoma Bankshares, Inc.	Oklahoma City, OK
VYBN	Valley Bancorporation	Appleton, WI
VNBP	Valley National Bancorp	Clifton, NJ
WECA	Western Capital Investment Corporation	Denver, CO
WYSE	Wyse Technology	San Jose, CA

The following changes to the list of NASDAQ/NMS securities occurred since March 21, 1985.

NASDAQ/NMS Symbol And/Or Name Changes

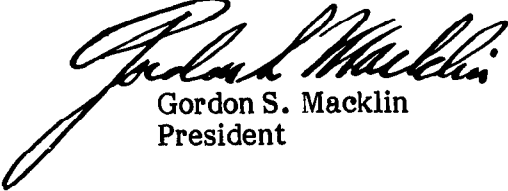
<u>New/Old Symbol</u>	<u>New/Old Security Name</u>	<u>Date of Change</u>
PULL/PTCI	Pullman Company/Pullman Company	3/22/85
VOIT/RELT	Voit Corporation/Reltron Corporation	3/26/85
HURC/HURC	Hurco Companies, Inc./ Huro Manufacturing Co., Inc.	3/28/85
PROF/PROF	Professional Investors Insurance Group, Inc./ Professional Investors Corporation	3/28/85
DDIX/DIAG	DDI Pharmaceuticals, Inc./ Diagnostic Data, Inc.	4/01/85
NUME/MBAK	Numerica Savings Bank, FSB/ Merchants Savings Bank (Manchester, NH)	4/01/85
ISLH/ISLH	International Holding Capital Corporation/International Savings & Loan Associaton Ltd.	4/01/85

NASDAQ/NMS Deletions

<u>Symbol</u>	<u>Security Name</u>	<u>Date</u>
CDPI	Columbia Data Products, Inc.	4/01/85
EMOD	Electronic Modules Corporation	4/03/85

Any questions regarding this notice should be directed to Donald Bosc, Assistant Director, NASDAQ Operations, at (202) 728-8043. Questions pertaining to trade reporting rules should be directed to Steve Hickman, Market Surveillance, at (202) 728-8202.

Sincerely,



Gordon S. Macklin
President

NASD

National Association of Securities Dealers, Inc.
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

notice to members 85-23

April 10, 1985

TO: All NASD Members and Other Interested Persons

RE: Quarterly Checklist of Notices to Members

Following is a list of NASD Notices to Members issued during the first quarter of 1985. Requests for copies of any notice should be accompanied by a self-addressed mailing label and should be directed to: NASD Administrative Services, 1735 K Street, N.W., Washington, D. C. 20006.

Notice Number	Date	Topic
85-1	January 8, 1985	Martin Luther King, Jr.'s Day: Trade Date-Settlement Schedule
85-2	January 8, 1985	NASDAQ National Market System Grows to 1,276 Securities With 100 Voluntary Additions on January 22, 1985
85-3	January 14, 1985	Membership Vote on Proposed Amendments to Association's By- Laws and Solicitation of Comments on Proposed Amendments to the Code of Procedure
85-4	January 16, 1985	Quarterly Checklist of Notices to Members
85-5	January 18, 1985	Follow-up to NASD Notice to Members 84-48 Dealing With Concessions Receivable and Related Commissions Payable

85-6	January 18, 1985	Amendment to Corporate Financing Filing Requirements Effective March 1, 1985
85-7	January 22, 1985	Changes to Georgia Blue Sky Registration Requirements for NASDAQ Companies
85-8	January 23, 1985	NASDAQ National Market System Grows to 1,378 Securities With 100 Voluntary Additions on February 5, 1985 and Four Mandatory Inclusions on February 12, 1985
85-9	January 30, 1985	Holiday Settlement Schedule- February, 1985
85-10	February 7, 1985	NASDAQ National Market System Grows to 1,472 Securities With 100 Voluntary Additions on February 19, 1985
85-11	February 7, 1985	Expansion of the Small Order Execution System (SOES)
85-12	February 15, 1985	Fiduciary Obligations of Members When Handling Customer Limit Orders
85-13	February 21, 1985	NASDAQ National Market System Grows to 1,569 Securities With 100 Voluntary Additions on March 5, 1985
85-14	February 21, 1985	SIPC Trustee Appointed Brentwood Securities, Inc. 11487 Wilshire Boulevard, 3rd Floor Los Angeles, California 90025
85-15	February 28, 1985	Questionnaire Concerning An Information Service for Direct Participation Program Securities
85-16	March 7, 1985	NASDAQ National Market System Grows to 1,666 Securities With 100 Voluntary Additions on March 19, 1985
85-16	March 11, 1985	Holiday Settlement Schedule

85-17	March 15, 1985	Request for Comments on Proposed Amendment to Appendix F Concerning Sales Incentives for Direct Participation Programs
85-18	March 15, 1985	Proposed Amendment to Article III, Section 33 of the Rules of Fair Practice - "Options"
85-19	March 21, 1985	NASDAQ National Market System Grows to 1,766 Securities With 100 Voluntary Additions on April 2, 1985
85-20	March 28, 1985	Request for Comment on Proposed Corporate Governance Requirements for NASDAQ National Market System Companies
85-21	March 29, 1985	Request for Comment on Proposed Rule on Private Securities Transactions

* * * *

NASD

National Association of Securities Dealers, Inc.
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

notice to members 85-24

April 12, 1985

I M P O R T A N T

**Officers * Partners * Proprietors
Operations and P&S Department Managers**

TO: ALL NASD Members

RE: NASDAQ Equity Audit Trail

In its Notice to Members 84-55 dated October 15, 1984, the Association announced plans to implement a NASDAQ Equity Audit Trail and detailed the seven phases to be followed for completion of the plan. As described in that notice, Phase I involves the collection of additional information from members through the facilities of the clearing corporations to include:

- time of trade (military time, eastern zone)
- capacity of executing broker-dealer (principal or agent)

This notice is intended to advise members that the implementation of Phase I is now underway. If your firm has not already begun to provide the above information on all NASDAQ securities to the clearing corporations of which you are a member, you should begin to do so promptly.

The Association has coordinated the planning and implementation of Phase I with the various clearing corporations involved in OTC comparison systems. On November 13, 1984 and again on December 18, 1984, the National Securities Clearing Corporation (NSCC) provided its members with instructions on the manner in which the above described audit trail information is to be included with other clearing data currently submitted to the NSCC's OTC Comparison System. On January 10, 1985, NSCC implemented the capability to receive audit trail data from its participants and began providing an audit trail compliance report to the NASD. Enclosed with this notice is the Trade Date + 1 Stock Detail Input Format to be used by NSCC members in complying with the Phase I audit requirements.

Comparable format changes have been made by the Midwest Clearing Corporation, Pacific Clearing Corporation and Stock Clearing Corporation of Philadelphia to their OTC comparison systems and copies have been provided directly to their respective members.

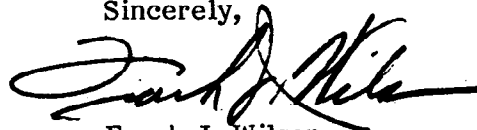
Since complete and accurate audit trail information from members is required to achieve a valid NASDAQ Equity Audit Trail, all information on NASDAQ securities submitted to the clearing corporations for OTC comparison will be carefully monitored during a transition period that will end on July 1, 1985. Thus, members should review the accuracy of their clearing input not only in terms of time of trade and capacity, but also in terms of price, size, executing broker and clearing broker. Operational systems or procedural changes that may be necessary to achieve accurate audit trail input to clearing should also be complete by July 1, 1985. Should your firm need assistance or have questions during the transition, please feel free to contact the NASD or clearing corporation representative noted below.

Phase II of the NASDAQ Equity Audit Trail will involve the real-time reporting of a buy/sell indicator with all transaction reports in NASDAQ/NMS securities as well as off-board trade reports in listed securities. It is currently anticipated that trade reporting procedure changes for the NASDAQ Level III terminals will not be implemented before July 1985. A specific timetable and instructions on new reporting procedures will be provided well in advance of any such change.

For members utilizing the Small Order Execution System (SOES) and/or Computer Assisted Execution System (CAES), you should be aware that audit trail data is automatically generated by both systems and, therefore, no additional information is required of members for transactions executed through these systems under Phase I or Phase II.

Any questions concerning OTC clearing input format changes or other Phase I Equity Audit Trail requirements should be directed to Jack Donlon at (212) 839-6375 or NSCC's Ed O'Shaughnessy at (212) 510-0507 who is coordinating the efforts of the clearing corporations.

Sincerely,



Frank J. Wilson
Executive Vice President
and General Counsel

Enclosure

Input Identification:	T+1 INPUT - OTC STOCK TRADE DATE: MM-DD-YY SUBMISSION DATE: MM-DD-YY FIRM NAME AND CLEARING NUMBER
Tape Label:	NON-LABEL
Record Length:	80 CHARACTERS PER RECORD
Blocking Factor:	43 RECORDS PER BLOCK
Header Record:	DATATRAK
Detail Records:	

OTC T+1 STOCK DETAIL INPUT AND DELETE FORMAT

<u>Data</u>	<u>Length</u>	<u>Columns</u>	<u>Description</u>
System Code	1	1-1	1 = Clearance
Subsystem Code	1	2-2	2 = OTC
Buy-Sell Code	1	3-3	2 = Buy, 4 = Sell
Activity Code	1	4-4	1 = T+1 Input D = T+1 Delete
Settlement Code	1	5-5	Ø = Normal Settlement
Major Clearing Broker	4	6-9	Alpha/Numeric
Major Executed By Broker Symbol	4	10-13	Alpha/Numeric
Minor Clearing Broker (Contra)	4	14-17	Alpha/Numeric
Minor Executed By Broker Symbol	4	18-21	Alpha/Numeric
Trade Date	6	22-27	MMDDYY
Security Symbol (or)	12	28-39	
Cusip Number	9	28-36	
When Issued Indicator	1	37-37	Ø = Regular Way 1 = When Issued
Not Applicable	1	38-38	Blank (Constant)
Exchange	1	39-39	2 = OTC
Quantity	8	40-47	99,999,999

(continued)

<u>Data</u>	<u>Length</u>	<u>Columns</u>	<u>Description</u>
Unit Price (or)	10	48-57	\$\$\$\$NNNDDD, EX. 15 1/2 = 0015001002, 1.05 = 00010500
Contract Amount	12	48-59	9,999,999,999.99
Unit Price-Contract Amount Indicator	1	60-60	0 = Unit Price 1 = Contract Amount Blank Defaults to Zero
Special Trade Indicator	1	61-61	Blank = Regular Way X = Special Trade
Time of Execution	4	62-65	HHMM - Military Time, Eastern Zone
Major Executed By Broker Capacity (from position 10-13)	1	66-66	P = Principal A = Agent
Format ID	1	67-67	A = Audit Trail
Open	13	68-80	

NASD

National Association of Securities Dealers, Inc.
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

notice to members 85-25

April 11, 1985

TO: All NASD Members

RE: Bevill, Bresler & Schulman, Incorporated
Bevill, Bresler & Schulman Securities, Inc.
Austin Investment Planning, Inc.
301 South Livingston Avenue
Livingston, New Jersey

ATTN: Operations Officer, Cashier, Fail-Control Department

On April 10, 1985, the United States District Court for the District of New Jersey appointed a Temporary Receiver for the above captioned firms.

Members may use the "immediate close-out" procedures as provided in Section 59 (i)(2) of the NASD's Uniform Practice Code to close-out open OTC contracts. Also, MSRB Rule G-12 (h)(iii) provides that members may use the above procedures to close-out transactions in municipal securities.

Questions regarding the firm should be directed to:

Temporary Receiver

Richard W. Hill, Esquire
McCarter & English
550 Broad Street
Newark, New Jersey 07102
Telephone: (201) 622-4444

NASD

National Association of Securities Dealers, Inc.
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

notice to members 85-26

April 15, 1985

TO: All NASD Members and Other Interested Persons

RE: Adoption of an Amendment to the Interpretation of the Board of
Governors on "Forwarding of Proxy and Other Materials"

The Securities and Exchange Commission has recently approved an amendment to the Interpretation of the Board of Governors, "Forwarding of Proxy and Other Materials," under Article III, Section 1 of the NASD Rules of Fair Practice.^{1/} This amendment, which became effective on April 1, 1985, establishes a surcharge which may be charged by NASD members to issuers in connection with proxy solicitations.

The Interpretation requires member firms to forward proxy materials to their customers promptly upon receipt of sufficient copies of the materials and satisfactory assurance that the issuer will reimburse the member for expenses incurred. The Appendix to the Interpretation sets out suggested rates of reimbursement.

The recently approved amendment permits a member firm to charge an issuer an additional \$.20 for each set of proxy material handled by the member. The amendment is temporary and, unless extended, the surcharge can be applied only until March 31, 1986.

The purpose of this amendment is to assist member firms in recouping the direct and indirect start-up costs incurred to comply with SEC Rules 14b-1(c) and 17a-3(a)(9)(ii) under the Securities Exchange Act of 1934. These SEC rules were adopted to improve the ability of issuers to identify and communicate with their shareholders whose securities are held in "street name" accounts with broker-dealers. Rule 17a-3(a)(9)(ii) requires that broker-dealers determine and maintain a record as to whether or not a customer objects to disclosure of his name, address

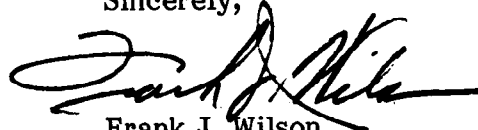
^{1/} NASD Manual (CCH) p. 2037-3.

and securities positions to issuers. Rule 14b-1(c) requires firms to provide issuers, upon request and assurance of reimbursement of reasonable expenses, with names, addresses and securities positions of non-objecting beneficial shareholders of the issuer's securities.

The text of the amendment is attached to this notice.

Questions regarding this notice should be directed to Craig L. Landauer, Office of General Counsel, at (202) 728-8291.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank J. Wilson", written in a cursive style.

Frank J. Wilson
Executive Vice President
and General Counsel

Attachment

**AMENDMENT TO INTERPRETATION OF THE BOARD OF GOVERNORS
"FORWARDING OF PROXY AND OTHER MATERIALS"
UNDER ARTICLE III, SECTION 1
OF THE RULES OF FAIR PRACTICE***

FORWARDING OF PROXY AND OTHER MATERIALS

APPENDIX

The Board of Governors has determined that the following suggested rates of reimbursement for expenses incurred in forwarding proxy material, annual reports, information statements and other material are to be as a guide by members:

* * * *

Surcharge for Proxy Solicitation

Twenty cents for each set of proxy material, i.e., proxy statement, form of proxy and annual report when mailed as a unit, for the period from April 1, 1985 to March 31, 1986 as a surcharge in addition to the appropriate charges specified in this Appendix.

* New language is underlined.

85-97

NASD

April 15, 1985

IMPORTANT

OFFICERS, PARTNERS AND PROPRIETORS

TO: All NASD Members and Other Interested Persons

RE: Approval of Recodified By-Laws and New Code of Procedure

The Securities and Exchange Commission has approved a recodification of the NASD By-Laws ^{1/} and a revised Code of Procedure. ^{2/} The text of these amendments, which were effective upon approval by the Commission, ^{3/} is attached.

Over the past several years, the Association's Ad Hoc Committee on Rules and By-Law Amendments has been working to revise the NASD By-Laws, Code of Procedure and Rules of Fair Practice to clarify language, delete obsolete passages, codify new procedures, and incorporate changes necessitated by amendments to the Securities Exchange Act of 1934. The intention of these revisions has not been to make major substantive changes but to clarify all NASD regulations and make the NASD Manual easier to understand and use. There are, however, several key changes that merit attention.

The amended Code of Procedure provides for the establishment of a new Market Surveillance Committee, to review examinations conducted by the NASD Market Surveillance Section. ^{4/} The Committee will have many of the same

^{1/} See, Securities Exchange Act Release No. 21843 (March 12, 1985).

^{2/} See, Securities Exchange Act Release No. 21838 (March 12, 1985).

^{3/} As noted in the attached text, certain minor portions of the By-laws and Code are expected to become effective upon Commission approval in the near future.

^{4/} See, Securities Exchange Act Release No. 21842 (March 12, 1985).

functions as a District Business Conduct Committee and will conduct hearings, render decisions, and impose appropriate disciplinary actions. The NASD established this Committee for two principal reasons:

- to ensure that cases involving market-type violations are reviewed by members of a committee with expertise and experience in handling such matters; and
- to ensure that all investigations, including those that do not uncover any apparent rule violations, are presented to a member-controlled committee for disposition.

The Market Surveillance Committee will review alleged violations involving such things as market manipulation, improper trade reporting, and insider trading irrespective of where the alleged violation occurs throughout the country.

The Code of Procedure has also been expanded to cover most of the proceedings conducted by the Association. Part XI of Schedule C and Parts VI, VII, VIII, IX, and X of Schedule D have been deleted and the substance of these provisions has been included in the Code of Procedure. ^{5/} The Code therefore now deals with not only disciplinary proceedings but also proceedings related to the NASDAQ System and NASD membership and qualification requirements. Hearings under the Interpretation of the Board of Governors—Review of Corporate Financing, Schedule E to the By-Laws, and Article III, Section 34 of the Rules of Fair Practice are not included, however. The latter group of hearings are dealt with in the new corporate financing rule which is awaiting SEC approval. Proceedings under the Uniform Practice Code and the Code of Arbitration Procedure also remain intact.

All of these changes will be reflected in the April 1985 supplement to the NASD Manual to be published by Commerce Clearing House during the last week of April. The attached text of these changes is effective immediately and should be retained until the manual is updated. Additional copies of this notice to members may be obtained by sending a self-addressed mailing label to:

Office of Administrative Services
National Association of Securities Dealers, Inc.
1735 K Street, N.W.
Washington, D.C. 20006.

Comments or questions concerning these changes may be directed to Dennis C. Hensley, Vice President and Deputy General Counsel, or Edward R. Venit, Senior Attorney, Office of General Counsel at (202) 728-8294.

Very truly yours,



Frank J. Wilson
Executive Vice President
and General Counsel

Attachments

^{5/} See, Securities Exchange Act Release No. 21840 (March 12, 1985).

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BY-LAWS *

ARTICLE I

DEFINITIONS

When used in these By-Laws, and any rules of the Corporation, unless the context otherwise requires, the term:

- (a) "Act" means the Securities Exchange Act of 1934, as amended;
- (b) "bank" means (1) a banking institution organized under the laws of the United States, (2) a member bank of the Federal Reserve System, (3) any other banking institution, whether incorporated or not, doing business under the laws of any state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to national banks and which is supervised and examined by a State or Federal authority having supervision over banks, and which is not operated for the purpose of evading the provisions of the Act, and (4) a receiver, conservator, or other liquidating agent of any institution or firm included in clauses (1), (2) or (3) of this subsection;
- (c) "branch office" means an office located in the United States which is owned or controlled by a member, and which is engaged in the investment banking or securities business;
- (d) "broker" means any individual, corporation, partnership, association, joint stock company, business trust, unincorporated organization or other legal entity engaged in the business of effecting transactions in securities for the account of others, but does not include a bank;
- (e) "Commission" means the Securities and Exchange Commission;
- (f) "Corporation" means the National Association of Securities Dealers, Inc.;
- (g) "dealer" means any individual, corporation, partnership, association, joint stock company, business trust, unincorporated organization or other

* The text herein reflects amendments to Articles II, VII, and XVI which have been filed with the Securities and Exchange Commission in File No. SR-NASD-85-2 but which are not yet effective. See, Securities Exchange Act Release No. 21839 (March 12, 1985). These amendments codify existing Association practice. The Association anticipates that, absent significant adverse comment, the Commission will approve these amendments in the near future. Pending Commission approval, the Association will nevertheless act in accordance with the amended text.

legal entity engaged in the business of buying and selling securities for his own account, through a broker or otherwise, but does not include a bank, or any person insofar as he buys or sells securities for his own account, either individually or in some fiduciary capacity, but not as part of a regular business;

(h) "investment banking or securities business" means the business, carried on by a broker, dealer, or municipal securities dealer (other than a bank or department or division of a bank) of underwriting or distributing issues of securities, or of purchasing securities and offering the same for sale as a dealer, or of purchasing and selling securities upon the order and for the account of others;

(i) "member" means any broker or dealer admitted to membership in the Corporation;

(j) "municipal securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a State or any political subdivision thereof, or any agency or instrumentality of a State or any political subdivision thereof, or any municipal corporate instrumentality of one or more States, or any security which is an industrial development bond as defined by Section 3(a)(29) of the Act;

(k) "municipal securities broker" means a broker, except a bank or department or division of a bank, engaged in the business of effecting transactions in municipal securities for the account of others;

(l) "municipal securities dealer" means any person, except a bank or department or division of a bank, engaged in the business of buying and selling municipal securities for his own account, through a broker or otherwise, but does not include any person insofar as he buys or sells securities for his own account either individually or in some fiduciary capacity but not as a part of a regular business;

(m) "person associated with a member" or "associated person of a member" means every sole proprietor, partner, officer, director, or branch manager of any member, or any natural person occupying a similar status or performing similar functions, or any natural person engaged in the investment banking or securities business who is directly or indirectly controlling or controlled by such member, whether or not any such person is registered or exempt from registration with the Corporation pursuant to these By-Laws;

(n) "registered broker or dealer" or "municipal securities broker or dealer" means any broker, dealer or municipal securities broker or dealer which is registered with the Commission under the Act;

(o) "rules of the Corporation" means all rules of the Corporation including the Certificate of Incorporation, By-Laws, Rules of Fair Practice, Code of Procedure, Uniform Practice Code, and any Interpretations thereunder.

ARTICLE II

QUALIFICATIONS OF MEMBERS AND ASSOCIATED PERSONS

Persons Eligible to Become Members and Associated Persons of Members

Sec. 1. (a) Any registered broker, dealer or municipal securities broker or dealer authorized to transact, and whose regular course of business consists in actually transacting, any branch of the investment banking or securities business in the United States, under the laws of the United States, shall be eligible for membership in the Corporation, except such registered brokers, dealers or municipal securities brokers or dealers which are excluded under the provisions of Sections 3(a) or (b) of this Article.

(b) Any person shall be eligible to become an associated person of a member, except such persons who are excluded under the provisions of Section 3(b) of this Article.

Authority of Board to Adopt Qualification Requirements

Sec. 2. (a) The Board of Governors shall have authority to adopt rules and regulations applicable to applicants for membership, members and persons associated with applicants or members establishing specified and appropriate standards with respect to the training, experience, competence and such other qualifications as the Board of Governors finds necessary or desirable, and in the case of an applicant for membership or a member, standards of financial responsibility or operational capability.

(b) In establishing and applying such standards, the Board of Governors may classify members and persons associated with such members, taking into account relevant matters, including the nature, extent and type of business being conducted and of securities sold, dealt in, or otherwise handled. The Board of Governors may specify that all or any portion of such standards shall be applicable to any such class and may require the persons in any such class to be registered with the Corporation.

(c) The Board of Governors may from time to time make changes in such rules, regulations and standards as it deems necessary or appropriate. Neither the adoption nor any change in such standards needs be submitted to the membership for approval and such rules, regulations and standards as adopted or amended shall become effective at such time as the Board of Governors may prescribe.

Ineligibility of Certain Persons for Membership or Association

Sec. 3. (a) No registered broker, dealer or municipal securities broker or dealer shall be admitted to membership, and no member shall be continued in membership, if such broker, dealer, or municipal securities broker or dealer or member fails or ceases to satisfy the qualification requirements under Section 2 of this Article, or if such broker, dealer, municipal securities broker or dealer or member is or becomes subject to a disqualification under Section 4 of this Article.

(b) No person shall become associated with a member, or continue to be associated with a member, or transfer association to another member, if such person fails or ceases to satisfy the qualification requirements under Section 2 of this Article, or if such person is or becomes subject to a disqualification under Section 4 of this Article; and no broker, dealer or municipal securities broker or dealer shall be admitted to membership, and no member shall be continued in membership if any person associated with it is ineligible to be an associated person under this subsection.

(c) If it deems it appropriate, the Board of Governors, upon notice and opportunity for a hearing, may cancel the membership of a member if it becomes ineligible for continuance in membership under subsection (a) hereof, may suspend or bar a person from continuing to be associated with any member if such person is or becomes ineligible for association under subsection (b) hereof, and may cancel the membership of any member who continues to be associated with any such ineligible person.

(d) Any broker, dealer or municipal securities dealer which is ineligible for admission into membership, or any member which is ineligible for continuance in membership, may file with the Board of Governors an application requesting relief from the ineligibility, pursuant to procedures adopted by the Board of Governors and contained in the Corporation's Code of Procedure. The Board of Governors may, in its discretion, approve the admission or continuance of an applicant or member, or the association of any person, if the Board determines that such approval is consistent with the public interest and the protection of investors. Any approval hereunder may be granted unconditionally or on such terms and conditions as the Board considers necessary or appropriate. In the exercise of the authority granted hereunder, the Board of Governors may:

(1) conduct such inquiry or investigation into the relevant facts and circumstances as it, in its discretion, considers necessary to its determination, which, in addition to the background and circumstances giving rise to the failure to qualify or disqualification may include the proposed or present business of an applicant for membership or of a member and the conditions of association of any prospective or presently associated person, among other matters;

(2) permit, in limited types of situations, a membership or association with a member pending completion of its inquiry or investigation, and its final determination, based upon a consideration of relevant factors, and may classify situations taking into account the status of brokers, dealers and municipal securities brokers and dealers as applicants or existing members and of persons as prospective or presently associated persons of members; the type of disqualification or failure to qualify; whether a member or associated person has been the subject of a previous approval and the terms and conditions thereof; and any other relevant factors; and

(3) delegate any of its functions and authority under this subsection (d) to appropriate committees of the Corporation or to Corporation staff members.

(e) An application filed under subsection (d) hereof shall not foreclose any action which the Board of Governors is authorized to take under subsection (c) hereof until approval has been granted.

(f) Approval by the Board of Governors of an application made under subsection (d) shall be subject to whatever further action the Commission may take pursuant to authority granted to the Commission under the Act.

Definition of Disqualification

Sec. 4. A person is subject to a "disqualification" with respect to membership, or association with a member, if such person:

Commission and Self-Regulatory Organization Disciplinary Sanctions

(a) has been and is expelled or suspended from membership or participation in, or barred or suspended from being associated with a member of, any self-regulatory organization;

(b) is subject to an order of the Commission denying, suspending or revoking its registration as a broker, dealer, or municipal securities dealer (including a bank or department or division of a bank) or barring or suspending him from being associated with a broker, dealer, or municipal securities dealer (including a bank or department or division of a bank);

(c) by his conduct while associated with a broker, dealer, or municipal securities dealer (including a bank or department or division of a bank) has been found to be a cause of any effective suspension, expulsion or order of the character described in subsections (a) or (b) of this Section; or

(d) has associated with him any person who is known, or in the exercise of reasonable care should be known, to him to be a person described in subsections (a), (b), or (c) of this Section.

Misstatements

(e) has willfully made or caused to be made in any application for membership in the Corporation, or to become associated with a member of the Corporation, or in any report required to be filed with the Corporation, or in any proceeding before the Corporation, any statement which was at the time, and in light of the circumstances under which it was made, false, or misleading with respect to any material fact, or has omitted to state in any such application, report or proceeding any material fact which is required to be stated therein;

Convictions

(f) has been convicted within ten years preceding the filing of any application for membership in the Corporation, or to become associated with a member of the Corporation, or at any time thereafter of any felony or misdemeanor which;

(1) involves the purchase or sale of any security, the taking of a false oath, the making of a false report, bribery, perjury, burglary, or conspiracy to commit any such offense;

(2) arises out of the conduct of the business of a broker, dealer, municipal securities dealer, investment adviser, bank insurance company or fiduciary;

(3) involves the larceny, theft, robbery, extortion, forgery, counterfeiting, fraudulent concealment, embezzlement, fraudulent conversion, or misappropriation of funds or securities; or

(4) involves the violation of Sections 152, 1341, 1342, or 1343 or Chapters 25 or 47 of Title 18, United States Code; or

Injunctions

(g) is permanently or temporarily enjoined by order, judgment, or decree of any court of competent jurisdiction from acting as an investment adviser, underwriter, broker, dealer, or municipal securities dealer (including a bank or department or division of a bank), or as an affiliated person or employee of any investment company, bank, or insurance company, or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase or sale of any security.

ARTICLE III

MEMBERSHIP

Application for Membership

Sec. 1. (a) Application for membership in the Corporation, properly signed by the applicant, shall be made to the Corporation, on the form to be prescribed by the Corporation, and shall contain:

(1) an acceptance of and an agreement to abide by, comply with, and adhere to, all the provisions, conditions, and covenants of the Certificate of Incorporation, the By-Laws, the rules and regulations of the Corporation as they are or may from time to time be adopted, changed or amended, and all rulings, orders, directions and decisions of, and sanctions imposed by, the Board of Governors or any duly authorized committee, the provisions of the federal securities laws, including the rules and regulations adopted thereunder, and the rules of the Municipal Securities Rulemaking Board, provided, however, that such an agreement shall not be construed as a waiver by the applicant of any right to appeal as provided in the Act;

(2) an agreement to pay such dues, assessments, and other charges in the manner and amount as shall from time to time be fixed by the Board of Governors pursuant to these By-Laws;

(3) an agreement that neither the Corporation, nor any officer or employee thereof, nor any member of the Board of Governors or of any district or other committee, shall be liable, except for willful malfeasance, to the applicant or to any member of the Corporation or to any other person, for any action taken by such officer or member of the Board of Governors or of any district or other committee, in his official capacity, or by any employee of the Corporation while acting within the scope of his employment or under instruction of any officer, board, or committee of the Corporation, in connection with the administration or

enforcement of any of the provisions of the rules of the Corporation as they are or may from time to time be adopted, or amended, or any ruling, order, directive, decision of, or penalty imposed by, the Board of Governors or any duly authorized committee, the provisions of the federal securities laws, including the rules and regulations adopted thereunder, and the rules of the Municipal Securities Rule-making Board; and

(4) such other reasonable information with respect to the applicant as the Board of Governors may require.

(b) Any application received by the Corporation shall be referred to the District Committee of the district in which the applicant has his principal place of business, and if a majority of the members of such District Committee determine that the applicant has satisfied all of the admission requirements of the By-Laws, it shall recommend the applicant's admission to membership and promptly notify the Secretary of the Corporation of such recommendation.

(c) If a majority of the members of such District Committee determine that the applicant fails to satisfy all of the admission requirements of the By-Laws, it shall promptly notify the Secretary of the Corporation who shall thereafter take appropriate action as of the date when posted to the membership roll.

(d) Each member shall ensure that its membership application with the Corporation is kept current at all times by supplementary amendments to the original application.

Similarity of Membership Names

Sec. 2. (a) No person or firm shall be admitted to or continued in membership in the Corporation having a name which is identical to the name of another member appearing on the membership roll of the Corporation or a name so similar to any such name as to tend to confuse or mislead;

(b) No member may change its name without the prior approval of the Corporation.

Executive Representative

Sec. 3. Each member shall appoint and certify to the Secretary of the Corporation one "executive representative" who shall represent, vote and act for the member in all the affairs of the Corporation, except that other executives of a member may also hold office in the Corporation, serve on the Board of Governors or committees of the Corporation, or otherwise take part in the affairs of the Corporation. A member may change its executive representative upon giving written notice thereof to the Secretary, or may, when necessary, appoint, by written notice to the Secretary, a substitute for its executive representative. An executive representative of a member or a substitute shall preferably be an executive officer of the member, if a corporation, a partner in case of a partnership, and the member himself if an individual, but he may be an employee of the member, if given authority to act for the member in the course of the Corporation's activities.

Membership Roll

Sec. 4. The Secretary of the Corporation shall keep a currently accurate and complete membership roll, containing the name and address of each member, and the name and address of the executive representative of each member. In any case where a membership has been terminated, such fact shall be recorded, together with the date on which the membership ceased. The membership roll of the Corporation shall at all times be available to all members of the Corporation, to all governmental authorities, and to the general public.

Resignation of Members

Sec. 5. (a) Membership in the Association may be voluntarily terminated only by formal resignation. Resignations of members must be in writing and addressed to the Corporation which shall immediately notify the appropriate District Committee. Any member may resign from the Corporation at any time. Such resignation shall not take effect until thirty (30) days after receipt thereof by the Corporation and until all indebtedness due the Corporation from such member shall have been paid in full and so long as any complaint or action is pending against the member and so long as any examination of such member is in process. The Corporation, however, may in its discretion declare a resignation effective at any time.

(b) A resigned member shall continue to be subject to the filing of a complaint under the Code of Procedure based upon conduct which commenced prior to the effective date of the member's resignation from the Corporation. Any such complaint, however, shall be filed within one year after the effective date of the resignation.

Transfer and Termination of Membership

Sec. 6. (a) Except as provided hereinafter, no member of the Corporation may transfer its membership or any right arising therefrom and the membership of a corporation, partnership or any other business organization which is a member of the Corporation shall terminate upon its liquidation, dissolution or winding up, and the membership of a sole proprietor which is a member shall terminate at death, provided that all obligations of membership under the By-Laws and Rules of Fair Practice have been fulfilled.

(b) The consolidation, reorganization, merger, change of name, or similar change in any corporate member shall not terminate the membership of such corporate member provided that the member or surviving organization, if any, shall be deemed a successor to the business of the corporate member, and the member or the surviving organization shall continue in the investment banking and securities business, and shall possess the qualifications for membership in the Corporation. The death, change of name, withdrawal of any partner, the addition of any new partner, reorganization, consolidation or any change in the legal structure of a partnership member shall not terminate the membership of such partnership member provided that the member or surviving organization, if any, shall be deemed a successor to the business of the partnership member, and the member or surviving organization shall continue in the investment banking and securities business and shall possess the qualifications for membership in the Corporation. If the business of any predecessor member is to be carried on by an organization

deemed to be a successor organization by the Corporation, the membership of such predecessor member shall be extended to the successor organization; otherwise any surviving organization shall be required to satisfy all of the requirements of the By-Laws.

Registration of Branch Offices

Sec. 7. (a) Each branch office of a member of the Corporation shall be registered with and listed upon the membership roll of the Corporation, and shall pay such dues, assessments and other charges as shall be fixed from time to time by the Board of Governors pursuant to Article VI of the By-Laws.

(b) Each member of the Corporation shall promptly advise the Corporation of the opening or closing of any branch office of such member.

Vote of Branch Offices

Sec. 8. Each member of the Corporation having a registered branch office shall be entitled to one vote on all matters pertaining solely to the district in which such registered branch office is located (including the election of members to the Board of Governors from such district); provided, however, that if any member of the Corporation shall have more than one registered branch office in a district, or its principal office and one or more registered branch offices in a district, such member shall be entitled to only one vote in such district.

District Committees' Right to Classify Branches

Sec. 9. A District Committee may classify any branch of a member not meeting the definition of Article I(c) of the By-Laws as a "branch office" if such Committee is satisfied that the definition of Article I(c) of the By-Laws is substantially met and that the business of said branch in the district is of sufficient importance to justify such a classification.

ARTICLE IV

REGISTERED REPRESENTATIVES AND ASSOCIATED PERSONS

Qualification Requirements

Sec. 1. No member shall permit any person associated with such member to engage in the investment banking or securities business unless the member determines that such person has complied with the applicable provisions under Article II of the By-Laws.

Application for Registration

Sec. 2. (a) Application by any person for registration with the Corporation, properly signed by the applicant, shall be made to the Corporation, on the form to be prescribed by the Board of Governors and shall contain:

(1) an acceptance of and an agreement to comply with all the provisions of the rules of the Corporation as they are or may from time to time be adopted or amended, all rulings, orders, directions and decisions of, and penalties

imposed by, the Board of Governors or any duly authorized committee, the provisions of the federal securities laws, including the rules and regulations adopted thereunder, and the rules of the Municipal Securities Rulemaking Board; provided, however, that such an agreement shall not be construed as a waiver by the applicant of any right to appeal as provided in the Act;

(2) an agreement that neither the Corporation, nor any officer or employee thereof, nor any member of the Board of Governors or of any District or other Committee, shall be liable except for willful malfeasance, to the applicant or to any member of the Corporation or to any other person, for any action taken by such officer, member of the Board of Governors or of any District or other Committee in his official capacity, or by any employee of the Corporation while acting within the scope of his employment, or under instruction of any officer, board or committee of the Corporation, in connection with the administration or enforcement of any of the provisions of the By-Laws, any rules of the Corporation as they are or may from time to time be adopted or amended, any ruling, order, direction, decision of, or penalty imposed by, the Board of Governors or any duly authorized committee, the provisions of the federal securities laws, including the rules and regulations adopted thereunder, or the rules of the Municipal Securities Rulemaking Board; and

(3) such other reasonable information with respect to the applicant as the Corporation may require.

(b) The Corporation shall not approve an application for registration of any person who is not eligible to be an associated person of a member under the provisions of Section 3(b) of Article II of these By-Laws.

(c) Every application for registration filed with the Corporation shall be kept current at all times by supplementary amendments to the original application.

Notification by Member to Corporation of Termination

Sec. 3. Following the termination of the association with a member of a person who is registered with it, such member shall promptly, but in no event later than (30) calendar days after such termination, give written notice to the Association on a form designated by the Board of Governors of the termination of such association. A member who does not submit such notification in writing within the time period prescribed shall be assessed a late filing fee as specified by the Board of Governors. Termination of registration of such person associated with a member shall not take effect so long as any complaint or action is pending against a member and to which complaint or action such person associated with a member is also a respondent, or so long as any complaint or action is pending against such person individually or so long as any examination of the member or person associated with such member is in process. The Corporation, however, may in its discretion declare the termination effective at any time.

Retention of Jurisdiction

Sec. 4. A person whose association with a member has been terminated and is no longer associated with any member of the Corporation shall continue to be

subject to the filing of a complaint under the Code of Procedure based upon conduct which commenced prior to the termination, but any such complaint shall be filed within one (1) year after the effective date of termination of registration pursuant to Section 3 above or, in the case of an unregistered person, within one (1) year after the date upon which such person ceased to be associated with the member.

ARTICLE V

AFFILIATES

Qualifications for Affiliation

Sec. 1. Any association of brokers or dealers, registered with the Commission as an affiliated securities association under the provisions of Section 15A of the Act, may become an affiliate of the Corporation as hereinafter provided in this Article.

Application for Admission as Affiliate

Sec. 2. Application for admission as an affiliate shall be made to the Board of Governors in writing, in such form as the Board of Governors may prescribe, and shall contain a certified copy of the application to the Commission for registration as an affiliated securities association, a certified copy of the order of the Commission granting such registration, and such other reasonable information as the Board of Governors may require.

Agreement of Affiliate

Sec. 3. No applicant may become an affiliate of the Corporation unless it agrees:

(a) That it will classify its members, for purposes of levying dues and assessments, on the same basis as that applicable to members of the Corporation and that the amount of dues or assessments payable by each of its members for any given period, based on such classification, shall not be lower than that payable by a member of the Corporation in the same class for the comparable period; provided, however, that if by reason of the special type of business conducted by members of an applicant, the foregoing agreement is impracticable of application to such applicant, such applicant shall agree that it will fix and levy dues or assessments payable by its members on some other basis to be agreed upon by the applicant and the Board of Governors of the Corporation, which shall be fair and equitable in view of the dues and assessments payable by members of the Corporation;

(b) That it will pay the Corporation annually, in the form of dues or otherwise, for services to be rendered by the Corporation to the applicant, the amount to be agreed upon by the applicant and the Board of Governors of the Corporation annually in advance, and that should the applicant and the Corporation be unable to reach an agreement as to an appropriate amount, the applicant will consent to the submission of the controversy to the Commission for arbitration, and that if submitted, it will abide by the Commission's decision thereon;

(c) That, after affiliation, it will at all times keep its charter, by-laws, rules of fair practice and code of procedure so integrated with the corresponding Charter, By-Laws, Rules of Fair Practice and Code of Procedure of the Corporation as not to conflict in any way therewith; and

(d) That the Board of Governors, in accordance with the provisions of Section 6 of this Article, may at any time suspend or cancel its affiliation with the Corporation.

Conditions of Affiliation

Sec. 4. No applicant may become an affiliate of the Corporation unless it appears to the Board of Governors:

(a) That such applicant is so organized and is of such a character as to comply with and carry out its purposes, and those of the Corporation and of the Act; and

(b) That the charter, by-laws, rules of fair practice and code of procedure of the applicant are so integrated with the corresponding Charter, By-Laws, Rules of Fair Practice and Code of Procedure of the Corporation as not to conflict in any way therewith.

Approval of Admission as an Affiliate

Sec. 5. If it appears to the Board of Governors that the foregoing requirements of this Article are met by the applicant, it shall approve such applicant's admission as an affiliate; otherwise, after appropriate notice and opportunity for hearing, it shall disapprove such applicant in writing and shall set forth therein the specific grounds upon which such disapproval is based.

Suspension or Cancellation of Affiliation

Sec. 6. The Board of Governors may at any time suspend or cancel the affiliation of an affiliate with the Corporation if the Board of Governors finds that the affiliate has ceased to be of such a character as to be able to or has failed to carry out its purposes or the purposes of the Act, or has failed to carry out any of the conditions of affiliation. In any proceeding, however, under this Section to determine whether the affiliation of an affiliate should be suspended or canceled, specific charges shall be brought; such affiliate shall be notified of, and be given an opportunity to defend against, such charges; a record shall be kept; and any determination that the affiliation of an affiliate shall be suspended or canceled shall be in writing and shall set forth therein the specific grounds upon which such determination is based. Such suspension or expulsion shall take effect upon the 60th day after the filing with the Commission of notice thereof and a copy of the record of the proceedings before the Board of Governors, unless within thirty days after such filing such suspension or cancellation is disapproved by the Commission.

Exclusion of Territory Covered by Affiliated Association

Sec. 7. The Board of Governors shall, if it deems such action to be in the interest of efficient and economical administration and desirable in carrying out the purposes of the Act, recommend appropriate changes in the By-Laws to exclude

the territory covered by an affiliate association from the geographical area covered by the Corporation.

ARTICLE VI

DUES, ASSESSMENTS AND OTHER CHARGES

Power of Board to Fix and Levy Assessments

Sec. 1. The Board of Governors shall prepare an estimate of the funds necessary to defray reasonable expenses of administration in carrying on the work of the Corporation each fiscal year, and on the basis of such estimate, shall fix and levy the amount of admission fees, dues, assessments and other charges to be paid by members of the Corporation and issuers and any other persons using any facility or system which the Corporation operates or controls. Fees, dues, assessments and other charges shall be called and payable as determined by the Board of Governors from time to time, provided, however, that such admission fees, dues, assessments and other charges shall be equitably allocated among members and issuers and other persons using any facility or system which the Corporation operates or controls. The Board of Governors may from time to time make such changes in such fees, dues, assessments and other charges as it deems necessary or appropriate to assure equitable allocation of dues among members. Neither the adoption nor any change in such fees, dues, assessments and other charges need be submitted to the membership for approval and such fees, dues, assessments and other charges as adopted or amended shall become effective at such time as the Board of Governors may prescribe. In the event of termination of membership or the extension of any membership to a successor organization during any fiscal year for which an assessment has been levied and become payable, the Board of Governors may make such adjustment in the fees, dues, assessments or other charges payable by any such member or successor organization or organizations during such fiscal years as it deems fair and appropriate in the circumstances.

Reports of Members

Sec. 2. Each member, issuer or other person shall promptly furnish all information or reports requested by the Corporation in connection with the determination of the amount of admission fees, dues, assessments or other charges.

Suspension or Cancellation of Membership for Non-Payment of Dues

Sec. 3. The Corporation, after fifteen (15) days notice in writing, may suspend or cancel the membership of any member in arrears in the payment of any fees, dues, assessments or other charges or for failure to furnish any information or reports requested pursuant to Section 2 of this Article.

Reinstatement of Membership

Sec. 4. Any membership suspended or canceled under this Article may be reinstated by the Corporation upon such terms and conditions as it shall deem just; provided, however, that any applicant for reinstatement shall possess the qualifications required for membership in the Corporation.

ARTICLE VII

BOARD OF GOVERNORS

Powers and Authority of Board of Governors

Sec. 1. (a) The Board of Governors shall be the governing body of the Corporation and, except as otherwise provided by these By-Laws, shall be vested with all powers necessary for the management and administration of the affairs of the Corporation and the promotion of the Corporation's welfare, objects and purposes. In the exercise of such powers, the Board of Governors shall have the authority to:

- (1) adopt for submission to the membership, as hereinafter provided, such By-Laws, Rules of Fair Practice and changes or additions thereto as it deems necessary or appropriate;
- (2) make such regulations, issue such orders, resolutions, interpretations, including interpretations of the Rules of Fair Practice, and directions, and make such decisions as it deems necessary or appropriate;
- (3) prescribe a code of arbitration procedure providing for the required or voluntary arbitration of controversies between members and between members and customers or others as it shall deem necessary or appropriate and neither the adoption nor any amendments to the code need be submitted to the membership for approval and the code and any amendments thereto shall become effective as the Board of Governors may prescribe;
- (4) establish rules and procedures to be followed by members in connection with the distribution of securities issued by members and affiliates thereof, and neither the adoption nor any amendments to such rules and procedures need be submitted to the membership for approval and such rules and procedures and any amendments thereto shall become effective as the Board of Governors may prescribe;
- (5) require all over-the-counter transactions in securities between members to be cleared and settled through the facilities of a clearing agency registered with the Commission pursuant to the Act, which clears and settles such over-the-counter transactions in securities;
- (6) organize and operate automated systems to provide qualified subscribers with securities information and automated services. The systems may be organized and operated by a division or subsidiary company of the Corporation or by one or more independent firms under contract with the Corporation as the Board of Governors may deem necessary or appropriate. The Board of Governors may adopt rules of such automated systems, establish reasonable qualifications and classifications for members and other subscribers, provide qualification standards for securities included in such systems, require members to report promptly information in connection with securities included in such systems, and establish charges to be collected from subscribers and others. The Board of Governors shall have power to adopt, amend, supplement or modify such rules, qualifications, classifications, standards and charges from time to time without recourse to the membership for approval, and such rules, qualifications, classifications, standards and charges shall become effective as the Board of Governors may prescribe; and

(7) engage in any activities or conduct necessary or appropriate to carry out the Corporation's purposes under its Certificate of Incorporation and the federal securities laws.

(b) In the event of the refusal, failure, neglect or inability of any member of the Board of Governors to discharge his duties, or for any cause affecting the best interests of the Corporation the sufficiency of which the Board of Governors shall be the sole judge, the Board shall have the power, by the affirmative vote of two-thirds of the Governors then in office, to remove such member and declare his position vacant and that it shall be filled in accordance with the provisions of Section 6 of this Article.

Authority to Suspend for Failure to Submit Required Information

Sec. 2. (a) The Board of Governors shall have authority, upon notice and opportunity for a hearing, to cancel or suspend the membership of any member or suspend the association of any person associated with a member for failure to file, or to submit on request, any report, document or other information required to be filed with or requested by the Corporation.

(b) The Board of Governors is authorized to delegate the authority hereinabove granted to the President of the Corporation; provided, however, that the Executive Committee of the Board of Governors shall be notified in writing of any such contemplated action by the President.

Composition of Board

Sec. 3. (a) The management and administration of the affairs of the Corporation shall be vested in a Board of Governors composed of thirty-one members, twenty-one to be elected by the members of the various districts in accordance with the provisions of subsection (b)(1) through (5) hereof, nine to be elected by the Board of Governors in accordance with the provisions of subsections (b)(6),(7) and (8) hereof, and the President of the Corporation to be selected by the Board of Governors in accordance with the provisions of Article X, Section 2 of the By-Laws.

(b) The several districts shall be presented on the Board of Governors. The elected members of the Board of Governors shall be chosen as follows:

(1) Three members of the Board of Governors shall be elected from and by the members of the Corporation eligible to vote in District No. 2;

(2) Two members of the Board of Governors shall be elected from and by the members of the Corporation eligible to vote in District No. 8;

(3) Five members of the Board of Governors shall be elected from and by the members of the Corporation eligible to vote in District No. 12;

(4) Two members of the Board of Governors shall be elected from and by the members of the Corporation eligible to vote in District No. 13;

(5) One member of the Board of Governors shall be elected from and by the members of the Corporation eligible to vote in each of the remaining districts not referred to in Subsections (1), (2), (3) and (4) of this Section;

(6) One member of the Board of Governors shall be elected by the Board of Governors from among the principal underwriter members of investment company shares, and he shall be designated a Governor-at-Large;

(7) One member of the Board of Governors shall be elected by the Board of Governors from among insurance company members or insurance company affiliated members of the Corporation, and he shall be designated a Governor-at-Large;

(8) Seven members of the Board of Governors shall be elected by the Board of Governors, and they shall be designated Governors-at-Large. Any Governor-at-Large initially filling a Governor-at-Large office shall be elected at such time as the Board of Governors in its discretion deems appropriate;

(9) At least one member of the Board of Governors shall be representative of issuers and not be associated with a member, broker or dealer and at least one member of the Board of Governors shall be representative of investors and not be associated with a member, broker or dealer;

(10) The Board of Governors shall, from time to time, consider the fairness of the representation of the various districts on the Board of Governors, and whenever it finds any unfairness in such representation to exist, it shall recommend appropriate changes in these By-Laws to assure fair representation of all districts.

Term of Office of Governors

Sec. 4. Each elected member of the Board of Governors, including the Governors-at-Large, except as otherwise herein provided, shall hold office for a term of three years, and until his successor is elected and qualified, or until his death, resignation or removal. The President of the Corporation shall serve as a member of the Board of Governors until his successor is selected and qualified, or until his death, resignation or removal.

Succession to Office

Sec. 5. The office of a retiring member of the Board of Governors elected under subsections (1) through (5) of Section 3(b) of this Article shall be filled by the election of a member from the same district as that of the retiring member. The office of a retiring Governor-at-Large shall be filled by election by the Board of Governors as provided in subsections (6), (7) and/or (8) of Section 3(b) of this Article, as the case may be.

Election of Board Members

Sec. 6. The elected members of the Board of Governors shall be chosen as follows:

Procedure for Nominations by Nominating Committees

(a) Before June 1 of each year, the Secretary of the Corporation shall notify in writing the Chairman of the respective District Committees of the expiration of the term of office of any member of the Board of Governors elected under subsections (1) through (5) of Section 3(b) of this Article which will expire during the

next calendar year. The said Chairman shall thereupon notify the Nominating Committee elected for such District pursuant to the provisions of Section 3 of Article IX of the By-Laws and such Nominating Committee shall proceed to nominate a candidate from such District for the office of each such member of the Board of Governors whose term is to expire. Nominating Committees in nominating candidates for the office of member of the Board of Governors shall endeavor, as nearly as practicable, to secure appropriate and fair representation on the Board of Governors of all classes and types of members engaged in the investment banking and securities business. No Nominating Committee shall nominate an incumbent member of the Board of Governors to succeed himself unless it first takes appropriate action by a written ballot sent to the entire membership within the District to ascertain that such nomination is acceptable to a majority of the members voting on such ballot in the District except where the incumbent member of the Board of Governors is serving pursuant to the provisions of Section 7(a) of this Article. Each candidate nominated by the Nominating Committee shall be certified to the District Committee by September 1 and within five (5) days thereafter a copy of such certification shall be sent by the District Committee to each member of the Corporation eligible to vote in the district. Such candidate shall be designated the "regular candidate."

Nomination of Additional Candidates

(b) An additional candidate or candidates may be nominated for the office of any member elected under subsections (1) through (5) of Section 3(b) of this Article, and whose term is to expire, if written notice of the nomination, signed by at least ten percent of the members of the Corporation eligible to vote in the district, is filed with the District Committee within thirty (30) days from the date of the notice of the action taken by the Nominating Committee. If no additional candidate or candidates are nominated within such thirty-day period, the candidate or candidates nominated by the Nominating Committee shall be considered duly elected, and the District Committee shall certify the election to the Board of Governors.

Contested Elections

(c) If any additional candidate or candidates are nominated, as provided in subsection (b) of this Section, the District Committee shall forthwith cause the names of the regular candidate and of all other duly nominated candidates for each office to be placed upon a ballot, which shall be sent to all members of the Corporation eligible to vote in the district. Each member of the Corporation having its principal place of business in the district shall be entitled to one vote, and each member having one or more registered branch offices in the district shall be entitled to vote as provided in Section 8 of Article III. The District Committee shall fix a date before which ballots must be returned to be counted. All ballots shall be opened and counted by such officer or employee of the Corporation as the Chairman of the District Committee may designate and in the presence of a representative of each of the candidates if such representation is requested in writing by any candidate named on the ballot. The candidate for each office to be filled receiving the largest number of votes cast shall be declared elected to membership on the Board of Governors, and certification thereof shall be made forthwith to the Board of Governors. In the event of a tie, there shall be a run-off election. In all elections held under this subsection voting shall be made by secret ballot, the procedure for which shall be prescribed by the Board of Governors.

Filling of Vacancies on Board

Sec. 7. All vacancies in the Board of Governors other than those caused by the expiration of a Governor's term of office, shall be filled as follows:

(a) If the unexpired term of a Governor elected under subsections (b)(1) through (b)(5) of Section 3 of this Article, is for less than twelve months, such vacancy shall be filled by appointment by the District Committee of a representative of a member of the Corporation eligible to vote in the same district.

(b) If the unexpired term of a Governor, elected under subsections (b)(1) through (b)(5) of Section 3 of this Article, is for twelve months or more, such vacancy shall be filled by election, which shall be conducted as nearly as practicable in accordance with the provisions of Section 6 of this Article.

(c) If the unexpired term is that of a Governor-at-Large, such vacancy shall be filled in accordance with the provisions of subsections (b)(6), (b)(7), and/or (b)(8) of Section 3 of this Article, as the case may be.

Meetings of Board

Sec. 8. Meetings of the Board of Governors shall be held at such times and places, upon such notice, and in accordance with such procedure as the Board of Governors in its discretion may determine. A quorum of the Board of Governors shall consist of a majority of the members, and any action taken by a majority vote at any meeting at which a quorum is present, except as otherwise provided in these By-Laws, shall constitute the action of the Board. Meetings of the Board of Governors may be held by mail, telephone or telegraph, in which case any action taken by a majority vote of the Board of Governors shall constitute the action of the Board. Any action taken by telephonic vote shall be confirmed in writing at a regular meeting of the Board of Governors.

Offices of Corporation

Sec. 9. The Corporation shall maintain such offices as the Board of Governors may from time to time deem necessary or appropriate.

ARTICLE VIII

DISTRICT COMMITTEES

Administrative Districts

Sec. 1. For the purpose of administration, the United States is hereby divided into districts, the boundaries of which shall be established by the Board of Governors. The Board of Governors may from time to time make such changes in the boundaries as it deems necessary or appropriate. Neither the establishment nor any change in the boundaries need be submitted to the membership for approval and the boundaries, as established or changed, shall become effective at such time as the Board of Governors may prescribe.

District Committees and District Business Conduct Committees

Sec. 2. (a) For the purpose of effectuating a maximum degree of local administration of the affairs of the Corporation, each of the districts created under Section 1 of this Article shall elect a District Committee, as hereinafter provided. Each such District Committee shall determine the number of its members so to be elected, but in no event shall any District Committee consist of more than twelve members; provided, however, that the Board of Governors by resolution may increase, upon request, any such District Committee to a larger number.

(b) In the event of the refusal, failure, neglect or inability of any member of any District Committee to discharge his duties, or for any cause affecting the best interests of the Corporation the sufficiency of which shall be decided by the District Committee, the District Committee shall have the power by the affirmative vote of two-thirds of the members of the District Committee then in office, to remove such member and declare his position vacant and that it shall be filled in accordance with the provisions of Section 5 of this Article; provided, however, that any member of any District Committee who has had his position declared vacant in the manner provided herein shall have the right to appeal the determination of the District Committee to the Board of Governors within 30 days after the date he is notified of the action of the District Committee. The Board of Governors shall thereafter have the authority to affirm, reverse or modify the determination of the District Committee. Any such action by the Board shall be by the affirmative vote of at least two-thirds of the governors then in office.

(c) The District Committees shall also serve as the District Business Conduct Committees for their respective districts.

Term of Office of District Committee Members

Sec. 3. Each regularly elected member of a District Committee shall hold office for a term of three (3) years, and until his successor is elected and qualified, or until his death, resignation or removal.

Election of District Committee Members

Sec. 4. Members of the District Committees shall be elected as follows:

Procedure for Nominations by Nominating Committees

(a) Before June 1 of each year, the Secretary of the Corporation shall notify in writing the Chairman of each respective District Committee of the expiration of the term of office of any member of that District Committee which shall expire during the next calendar year. The said Chairman shall thereafter, but not later than July 1, advise the Nominating Committee, which shall proceed to nominate a candidate from their District for the office of each member of the District Committee whose term is to expire. Nominating Committees in nominating candidates for the office of member of the District Committee shall endeavor, as nearly as practicable, to secure appropriate and fair representation on the District Committee of the various sections of the District and of all classes and types of members engaged in the investment banking or securities business within such District. No Nominating Committee shall nominate an incumbent member of

the District Committee to succeed himself unless it first takes appropriate action by a written ballot of the entire membership within the District to ascertain that such nomination is acceptable to a majority of the members in the District except where the incumbent member of the District Committee is serving pursuant to the provisions of Section 5(a) of this Article. Each candidate nominated by the Nominating Committee shall be certified to the District Committee by September 1, and within five (5) days thereafter a copy of such certification shall be sent by the District Committee to each member of the Corporation eligible to vote in the District. Such candidate shall be designated the "regular candidate."

Nomination of Additional Candidates

(b) An additional candidate or candidates may be nominated for the office of any member whose term is to expire or for any new office created by the District Committee pursuant to Section 2 of this Article, if written notice of the nomination, signed by at least ten percent of the members of the Corporation eligible to vote in the district, is filed with the District Committee within thirty (30) days from the date of the notice of the action taken by the Nominating Committee. If no additional candidate or candidates are nominated within such thirty-day period, then the candidate or candidates nominated by the Nominating Committee shall be considered duly elected and the District Committee shall certify the election to the Board of Governors.

Contested Elections

(c) If an additional candidate or candidates are nominated, as provided in paragraph (b) of this Section, the District Committee shall forthwith cause the names of the regular candidate for any contested office and of all other candidates for such office to be placed upon a ballot, which shall be sent to all members of the Corporation eligible to vote in the district. Each member of the Corporation having its principal place of business in the district shall be entitled to one vote, and each member having one or more registered branch offices in the district shall be entitled to vote as provided in Section 8 of Article III. The District Committee shall fix the date before which ballots must be returned to be counted. All ballots shall be opened by such officer or employee of the Corporation as the Chairman of the District Committee may designate, and in the presence of a representative of each of the candidates if such representation is requested in writing by any candidate named in the ballot. The candidate for each office to be filled receiving the largest number of votes cast shall be declared elected to membership on the District Committee, and certification thereof shall be made forthwith to the Board of Governors. In the event of a tie, there shall be a run-off election. In all elections held under this Section, voting shall be by secret mail ballot, the procedure for which shall be prescribed by the Board of Governors.

Filling of Vacancies on District Committees

Sec. 5. All vacancies on any District Committee other than those caused by the expiration of a member's term of office, shall be filled as follows:

(a) If the unexpired term of the member causing the vacancy is for less than twelve months, such vacancy shall be filled by appointment by the remaining members of the District Committee of some member of the Corporation having a place of business in the same district.

(b) If the unexpired term of the member causing the vacancy is for twelve months or more, such vacancy shall be filled by election, which shall be conducted as nearly as practicable in accordance with the provisions of Section 4 of this Article.

Meetings of District Committees

Sec. 6. Meetings of each District Committee shall be held at such times and places, upon such notice, and in accordance with such procedure as each District Committee in its discretion may determine. A quorum of a District Committee shall consist of a majority of its members, and any action taken by a majority at any meeting at which a quorum is present, except as otherwise provided in the By-Laws, shall constitute the action of the Committee. Action by a District Committee may be taken by mail, telephonic and telegraphic vote, in which case any action taken by a majority of the Committee shall constitute the action of the Committee. Any action taken by telephonic vote shall be confirmed in writing at a regular meeting of the District Committee.

Election of Chairmen and Other District Officers

Sec. 7. Following the annual election of members of the District Committees pursuant to Section 4 of this Article, each District Committee shall elect from its members a Chairman and such other officers as it deems necessary for the proper performance of its duties under these By-Laws, and shall prescribe their powers and duties.

Advisory Council

Sec. 8. (a) The Chairmen of the District Committees, elected pursuant to Section 7 of this Article, shall constitute an Advisory Council to the Board of Governors.

(b) Such Advisory Council shall be advised of and entitled to attend such meetings of the Board of Governors as the Board may designate and the Board shall designate at least one such meeting annually. The Advisory Council shall not be entitled to vote at meetings of the Board of Governors.

Expenses of District Committees

Sec. 9. Funds to meet the regular expenses of each District Committee, elected pursuant to Section 4 of this Article, shall be provided by the Board of Governors out of funds collected by it under the provisions of Article VI hereof, and all such expenses shall be subject to the approval of the Board of Governors.

District Committees Agencies of Corporation

Sec. 10. The District Committees shall act as the agencies of the Corporation for the administration of its affairs in their respective districts and as such shall have such powers and duties as are provided in the By-Laws or from time to time delegated by the Board of Governors.

Certain Functions of District Committees

Sec. 11. The District Committees shall endeavor, in such manner as they deem appropriate, to educate members and other brokers and dealers in their respective districts as to the objects, purposes and work of the Corporation in order to foster their interest and cooperation. District Committees shall consider the practical operation of all provisions of the rules of the Corporation and shall report to the Secretary any which the District Committees believe do not work satisfactorily in their respective districts.

ARTICLE IX

NOMINATING COMMITTEES

Composition of Nominating Committees

Sec. 1. (a) Each of the Districts created under Section 1 of Article VIII of the By-Laws shall elect a Nominating Committee, as provided in Section 3 of this Article. Each such Nominating Committee shall consist of five members; provided, however, that the Board of Governors by resolution may increase any such Nominating Committee to a larger number. Members of the Nominating Committee in each District shall be members of the Corporation having places of business in the respective District, but shall not be members of the District Committee. All Nominating Committees shall include a majority of persons who have previously served on the District Committee and/or on the Board of Governors and shall, insofar as practicable, include at least one former member of the Board of Governors.

(b) In the event of the refusal, failure, neglect or inability of any member of any Nominating Committee to discharge his duties, or for any cause affecting the best interest of the Corporation, the sufficiency of which shall be decided by the Nominating Committee, the Nominating Committee shall have the power, by the affirmative vote of three-fifths of the members of the Nominating Committee then in office, to remove such member and declare his position vacant and that it shall be filled in accordance with the provisions of Section 3 of this Article; provided, however, that any member of any Nominating Committee who has had his position declared vacant in the manner provided herein shall have the right to submit a written appeal in respect to the determination of the Nominating Committee to the Board of Governors within thirty (30) days after the date he is notified in writing of the action of the Nominating Committee. The Board of Governors shall thereafter have the authority to affirm, reverse or modify the determination of the Nominating Committee. A vote of two-thirds of the Governors then in office shall be required to reverse or modify the action of the Nominating Committee.

Term of Office of Nominating Committee Members

Sec. 2. Each regularly elected member of a Nominating Committee shall hold office for a term of one (1) calendar year, and until his successor is elected and qualified, or until his death, resignation or removal.

Election of Nominating Committees

Sec. 3. Members of the Nominating Committee shall be elected as follows:

Procedures for Nominations by Nominating Committees

(a) Before June 1 of each year the Secretary of the Corporation shall notify in writing the Chairmen of the respective District Committees as to those members of the District Nominating Committee who were elected for the present year and as to the offices of that Committee that are to be filled by the next election. The said Chairman shall thereupon notify the Nominating Committee elected for such District and the Nominating Committee shall proceed to nominate a candidate from such District for the offices of that Committee which are to be filled by the next election. The Nominating Committee in nominating candidates for the office of member of the Nominating Committee shall endeavor, as nearly as practicable, to secure appropriate and fair representation on the Nominating Committee of the various sections of the District and of all classes and types of members engaged in the investment banking or securities business within such District and shall assure that the composition of the Nominating Committee meets the standards contained in Section 1(a) of this Article. No Nominating Committee shall nominate more than two incumbent members of the Nominating Committee to succeed themselves. No member of any Nominating Committee may serve more than two consecutive terms. Each candidate nominated by the Nominating Committee shall be certified to the District Committee, by September 1, and within five (5) days thereafter a copy of such certification shall be sent by the District Committee to each member of the Corporation eligible to vote in the District. Such candidate shall be designated the "regular candidate."

Nomination of Additional Candidates

(b) Additional candidates may be nominated for the office of any member whose term is to expire or for any new office created by the Board of Governors pursuant to Section 1(a) of this Article, provided that election of such candidates would be consistent with the requirements of Section 1(a) of this Article, if written notice of the nomination, signed by at least ten percent of the members of the Corporation eligible to vote in the district, is filed with the District Committee within thirty (30) days from the date of the notice to the members of the action taken by the Nominating Committee. If no additional candidate or candidates are nominated within such thirty-day period, then the candidate or candidates nominated by the Nominating Committee shall be considered duly elected and the District Committee shall certify the election to the Board of Governors.

Contested Elections

(c) If additional candidates are nominated, as provided in paragraph (b) of this section, the District Committee shall forthwith cause the names of the regular candidate and all other candidates for any contested office to be placed upon a ballot, which shall be sent to all members of the Corporation eligible to vote in the District. Each member of the Corporation having its principal place of business in the District shall be entitled to one vote, and each member having one or more registered branch offices in the District shall be entitled to vote as provided in Section 8 of Article III. The District Committee shall fix the date before

which ballots must be returned to be counted. All ballots shall be opened by such officer or employee of the Corporation as the Chairman of the District Committee may designate, and in the presence of a representative of each of the candidates, if such representation is requested in writing by any candidate named in the ballot. The candidate for each office to be filled receiving the largest number of votes cast shall be declared elected to membership on the Nominating Committee and certification thereof shall be made forthwith to the Board of Governors. In the event of a tie, there shall be a run-off election. In all elections held under this Section, voting shall be by secret mail ballot, the procedure for which shall be prescribed by the Board of Governors.

Filling of Vacancies for Nominating Committees

Sec. 4. All vacancies in any Nominating Committee other than those caused by the expiration of a member's term of office shall be filled as follows:

(a) If the unexpired term of the member causing the vacancy is for less than six months, such vacancy shall be filled by appointment by the remaining members of the Nominating Committee or a representative of a member of the Corporation eligible to vote in the same District.

(b) If the unexpired term of the member causing the vacancy is for six months or more, such vacancy shall be filled by election, which shall be conducted as nearly as practicable in accordance with the provisions of Section 3 of this Article.

Meetings of Nominating Committees

Sec. 5. Meetings of each Nominating Committee shall be held at such times and places, upon such notice, and in accordance with such procedure as each Nominating Committee in its discretion may determine. A quorum of a Nominating Committee shall consist of a majority of its members, and any action taken by a majority of the entire Committee at any meeting, except as otherwise provided in the By-Laws, shall constitute the action of the Committee. Action by a Nominating Committee may be taken by mail, telephonic or telegraphic vote, in which case any action taken by a majority of the Committee shall constitute the action of the Committee. Any action taken by telephonic vote shall be confirmed in writing at a regular meeting of the Nominating Committee.

Election of Chairman and Other Nominating Committee Officers

Sec. 6. Following the annual election of members of the Nominating Committees pursuant to Section 3 of this Article, each Nominating Committee shall elect from its members a Chairman and such other officers as it deems necessary for the proper performance of its duties under these By-Laws.

ARTICLE X

OFFICERS AND EMPLOYEES

Election of Officers of the Board

Sec. 1. As soon as practicable, following the annual election of members to the Board of Governors, the Board of Governors shall elect from its members a Chairman, one or more Vice Chairmen, and such other officers as it shall deem necessary

or advisable, to serve until the next annual election or until their successors are chosen and qualify. The officers so elected shall have such powers and duties as may be determined from time to time by the Board of Governors. The Board of Governors, by affirmative vote of a majority of its members, may remove any such officer at any time.

Officers of the Corporation

Sec. 2. The Board of Governors shall select a chief executive officer, to be designated President of the Corporation, who shall be responsible for the management and administration of its affairs and shall be the official representative of the Corporation in all public matters and shall be ex officio a member of any committee authorized by the Board of Governors. The Board may provide for other executive or administrative officers as it shall deem necessary or advisable, including, but not limited to, Executive Vice President, Senior Vice President, Vice President, General Counsel, Secretary and Treasurer of the Corporation. All such officers shall have such titles, such powers and duties and shall be entitled to such compensation as shall be determined from time to time by the Board of Governors. The terms of office of such officers shall be at the pleasure of the Board of Governors, which by affirmative vote of a majority of the members, may remove any such officer at any time.

Absence of President

Sec. 3. In the case of the absence or inability to act of the President of the Corporation, or in case of a vacancy in such office, the Board of Governors may appoint its Chairman or such other person as it may designate to act as such officer pro tem, who shall assume all the functions and discharge all the duties of the President.

Employment of Counsel

Sec. 4. The Board of Governors may retain or authorize the employment of counsel, with such powers, titles, duties and authority as it shall deem necessary or advisable.

Administrative Staff

Sec. 5. The Board of Governors may employ or authorize the employment and prescribe the powers and duties of such an administrative staff as it deems necessary or advisable. The employment and compensation of such administrative staff of the Corporation shall be at the pleasure of the Board of Governors.

Restrictions on Compensation of Board and Committee Members

Sec. 6. No member of the Board of Governors (except the President of the Corporation or the President pro tem), no member of any District Committee and no member of any other Committee, shall be entitled to receive any compensation from the Corporation for any work done in connection with his duties as a member of the Board of Governors, any District Committee or any other committee. However, such persons shall be entitled to reimbursement for reasonable expenses incurred in connection with the business of the Corporation.