

# Special Notice to Members

NOVEMBER 9, 2005

INFORMATIONAL

## SUGGESTED ROUTING

Executive Representatives  
Senior Management

## Nominees for NASD Board of Governors

### Executive Summary

The Annual Meeting of NASD members will be held on February 3, 2006.

## KEY TOPICS

NASD Board of Governors

The formal notice of the meeting, including the precise time and location, will be mailed on or about December 29, 2005. The individuals nominated by the NASD National Nominating Committee (NNC) for election to the NASD Board of Governors (NASD Board) are identified in this *Special Notice*. Pursuant to Article VII, Section 10, of the NASD By-Laws, a person who has not been so nominated for election to the NASD Board may be included on the ballot for the election of governors if:

- (a) within 45 days after the date of this *Special Notice*, such person presents to the Secretary of NASD petitions in support of such nomination duly executed by at least three percent of NASD members. As of the date of this *Special Notice*, NASD has 5,166 voting members; therefore, the applicable three percent threshold is 155 members. No member may endorse more than one such nominee. If, however, a candidate's name appears on a petition in support of a slate of more than one nominee, the slate must be endorsed by 10 percent of NASD's voting members. The applicable 10 percent threshold is 516 members; and
- (b) the Secretary certifies that such petitions have been duly executed by the executive representatives of the requisite number of NASD members, and the person being nominated satisfies the classification of the governorship to be filled based on the information provided by the person as is reasonably necessary for the Secretary to make the certification.

05-76

---

Pursuant to Article VII, Section 4 of the NASD By-Laws, the NASD Board must consist of no fewer than 15 and no more than 25 governors. The number of governors within this range is set by the NASD Board. The By-Laws also require that the number of non-industry governors exceed the number of industry governors on the NASD Board.

On November 1, 2005, the Executive Committee of the NASD Board approved a reduction in the size of the Board from 19 to 18 governors by eliminating one non-industry seat. It was determined that when the terms of the current Board members who are not eligible for re-election expire in February 2006, the Board would remain balanced, in accordance with the By-Laws, with one fewer non-industry seat. In February 2006, the Board will consist of 18 governors and be properly balanced with two management, seven industry, two non-industry and seven public members.

On February 3, 2006, members will elect four governors. Assuming the Legg Mason/Citigroup transaction referenced in footnote 2 (page 7) closes, the four persons to be elected will need to satisfy the By-Law definitions of public, non-industry representative of an issuer of investment company shares or an affiliate of such an issuer, industry, and industry representative of a regional retail or independent financial planning member firm. This is necessary for the Board to maintain compliance with the compositional requirements of the By-Laws.

Persons submitting petitions must provide information sufficient for the Corporate Secretary to determine their status with respect to the categories described above.

## Questions/Further Information

Questions regarding this *Special Notice* may be directed to:

**Barbara Z. Sweeney**  
Senior Vice President and Corporate Secretary  
NASD  
1735 K Street, NW  
Washington, DC 20006-1500  
(202) 728-8062

**or**

**T. Grant Callery**  
Executive Vice President and General Counsel  
NASD  
1735 K Street, NW  
Washington, DC 20006-1500  
(202) 728-8285

---

## NASD Board of Governors Nominees

The following four persons (see attached profiles) have been nominated by the NNC to serve on the NASD Board for a term of three years or until their successors are duly elected or qualified. Terms of office run from February 3, 2006 to January 2009.

### Terms of Office 2006-2009

#### INDUSTRY

David A. DeMuro Managing Director, Director of Global Compliance and Regulation, Lehman Brothers, Inc. (representative of a national retail firm)

John S. Simmers Chief Executive Officer, ING Advisors Network (representative of an independent financial planning member firm)

#### NON-INDUSTRY

John J. Brennan Chairman and CEO, The Vanguard Group (representative of an issuer of investment company shares)

#### PUBLIC

Josh S. Weston Chairman and CEO (retired), Automatic Data Processing, Inc.

---

## NASD Profiles of Board Nominees for Industry Governor

### INDUSTRY

**David A. DeMuro** served as Chair of the National Adjudicatory Council in 2001 and 2002. He is Managing Director, Director of Global Compliance and Regulation at Lehman Brothers. Mr. DeMuro joined Lehman Brothers in 1984. Prior to that, he held various positions with the Securities and Exchange Commission in Detroit, Chicago, Los Angeles and Washington, D.C. Mr. DeMuro is a current member of the NASD Membership Committee and the NASD Licensing and Registration Council. He is a member of the Executive Committee of the Securities Industry Association's Compliance and Legal Division and served as Chairman of the Securities Industry/Regulatory Council on Continuing Education. He currently serves on the NYSE's content committee for the Continuing Education Regulatory Element supervisor's program. He is also a member of the Compliance Advisory panels of the NYSE and CBOE, and of the Board of Trustees of the Securities Industry Institute, a joint venture of the Securities Industry Association and the Wharton School of the University of Pennsylvania. He is on the advisory board of The Journal of Investment Compliance, a publication of Institutional Investor, Inc. Mr. DeMuro is also a member of the Board of Trustees of the Theta Xi Fraternity Foundation. He holds a B.A. from the University of Michigan and a J.D. from the University of Notre Dame.

**John S. Simmers** is Chief Executive Officer of ING Advisors Network. In 1983, he co-founded Financial Network Investment Corporation, a leading independent broker-dealer firm, where he served as Chief Operating Officer and as a member of its Board of Directors. Mr. Simmers also served as Chief Operating Officer for a national independent broker-dealer firm and in a management capacity for NASD. He is a former President and Director of the California Association of Independent Broker Dealers (CAIBD); a former member of the Investment Advisor and Independent Firm Committees for the Securities Industry Association (SIA); and served on a number of committees for the Financial Planning Association (FPA). For NASD, he was vice co-chairman of the District 2 South Business Conduct Committee as well as a member of numerous regional and national committees. Currently, Mr. Simmers serves on the Board of Directors for the Financial Services Institute (FSI). He is a graduate of the Ohio State University.

---

## NASD Profile of Board Nominee for Non-Industry Governor

### NON-INDUSTRY

**John J. Brennan** is Chairman and Chief Executive Officer, and a member of the Board of Directors of each of the mutual funds in the Vanguard Group. Mr. Brennan joined Vanguard in July 1982. He was elected President in 1989, Chief Executive Officer in 1996 and Chairman of the Board in 1998. Prior to his career at Vanguard, Mr. Brennan had been employed at S.C. Johnson & Son in Racine, Wisconsin and the New York Bank of Savings. Mr. Brennan is the past Chairman of the Investment Company Institute and is a Trustee of the United Way of America. He graduated from Dartmouth College in 1976 with an AB degree, and received an MBA from the Harvard Business School in 1980.

## NASD Profile of Board Nominee for Public Governor

### PUBLIC

**Josh Weston** is the former Chairman and CEO of Automatic Data Processing, Inc. (ADP) and currently is Honorary Chairman of ADP. Mr. Weston has been with ADP in various management positions since 1970. Prior to this, he worked at J. Crew's predecessor. Mr. Weston currently serves on the Boards of Russ Berrie & Co., Inc., Gentiva Health Services, and J. Crew. He is also active on numerous pro bono and Advisory Boards. Mr. Weston is a graduate of the City College of New York and the University of New Zealand, where he received a Master's Degree in economics while on a Fulbright Scholarship. He holds five Honorary Doctorate degrees.

---

## Governors with Terms Expiring in January 2006

### INDUSTRY

David A. DeMuro Managing Director, Director of Global Compliance and Regulation, Lehman Brothers, Inc. (representative of a national retail firm)

M. LaRae Bakerink\* Chief Executive Officer, WBB Securities, LLC

Brian T. Shea<sup>1</sup> Chief Operating Officer, Pershing LLC

### NON-INDUSTRY

John J. Brennan Chairman and CEO, The Vanguard Group (representative of an issuer of investment company shares)

Eugene M. Isenberg\* Chairman and CEO, Nabors Industries, Inc.

### PUBLIC

Kenneth M. Duberstein\* Chairman and CEO, The Duberstein Group, Inc.

\* *Not eligible for re-election*

---

1. The Chair of the National Adjudicatory Council serves a one-year term on the NASD Board.

---

## Governors with Terms Expiring in January 2007

### INDUSTRY

William C. Alsover, Jr.\* Chairman, Centennial Securities Company, Inc. (representative of an NASD member having not more than 150 registered persons)

### PUBLIC

Charles A. Bowsher Former Comptroller General of the United States

Joel Seligman President, University of Rochester

Sharon P. Smith\* Visiting Fellow in the ILR School at Cornell University

*\* Not eligible for re-election*

## Governors with Terms Expiring in January 2008

### INDUSTRY

John W. Bachmann\* Senior Partner, Edward D. Jones & Company

Richard F. Brueckner\* Chief Executive Officer, Pershing LLC (representative of a firm that provides clearing services to other NASD members)

Raymond A. Mason\* Chairman and CEO, Legg Mason, Inc. (representative of a regional retail firm)<sup>2</sup>

### NON-INDUSTRY

William Heyman Vice Chairman and Chief Investment Officer, The St. Paul Travelers Companies, Inc. (representative of an insurance company)

### PUBLIC

James E. Burton\* Chief Executive Officer, World Gold Council

Sir Brian Corby\* Chairman (retired), Prudential Assurance Company

John Rutherford, Jr.\* Chairman and CEO (retired), Moody's Corporation

*\* Not eligible for re-election*

- 
2. Upon completion of the Legg Mason/Citigroup transaction, Mr. Mason will no longer be a representative of a regional retail firm. He will, however, continue to serve as a member of the Board of Governors and retain his classification as an Industry Governor.