

Election Notice

Upcoming FINRA Board of Governors Election

Petitions for Candidacy Due: June 11, 2015

Executive Summary

The annual meeting of FINRA firms will take place on or about Thursday, July 30, 2015, to elect one Small Firm Governor, one Mid-Size Firm Governor and one Large Firm Governor to the FINRA Board of Governors (FINRA Board).

A formal notice of the meeting, including the precise date, time and location, will be mailed to executive representatives on or about June 30, 2015.

Eligible individuals who have not been nominated for election to the FINRA Board by the Nominating Committee may be included on the ballot for the election of governors by following the petition procedures set forth in the By-Laws and as further described in this *Election Notice*.

Note: FINRA distributed this *Notice* electronically to the executive representative of each FINRA firm and it is posted online at www.finra.org/Notices/Election/042715. Executive representatives should circulate this *Notice* to their firms' branch managers.

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

- ▶ Marcia E. Asquith, Senior Vice President and Corporate Secretary, at (202) 728-8949; or
- ▶ Jennifer Piorko Mitchell, Deputy Corporate Secretary, at (202) 728-8415.

April 27, 2015

Suggested Routing

- ▶ Executive Representatives
- ▶ Senior Management

Composition of the Board

The FINRA Board consists of 24 members,¹ including:

- ▶ the Chief Executive Officer of FINRA;
- ▶ thirteen Public Governors;
- ▶ one Floor Member Governor;
- ▶ one Independent Dealer/Insurance Affiliate Governor;
- ▶ one Investment Company Affiliate Governor;
- ▶ three Small Firm Governors;
- ▶ one Mid-Size Firm Governor; and
- ▶ three Large Firm Governors.

Of the 24 Board members, Public Governors, the Floor Member Governor, the Independent Dealer/Insurance Affiliate Governor and the Investment Company Affiliate Governor (Appointed Governors) are appointed by the FINRA Board from candidates recommended by the Nominating Committee.

The Nominating Committee also may nominate individuals to run for election for the seven elected governor seats that comprise the three Small Firm Governors, one Mid-Size Firm Governor and three Large Firm Governors (Elected Governors).

To be eligible to serve, Small Firm Governors must be registered with small firms, the Mid-Size Firm Governor must be registered with a mid-size firm and Large Firm Governors must be registered with large firms. In order for the Board to maintain compliance with the compositional requirements of the FINRA Board set forth in the FINRA By-Laws, the seven Elected Governors have a continuing obligation to satisfy the firm-size classification throughout the entire term for which the governor is elected. Pursuant to Article I of FINRA's By-Laws, firm sizes are defined as follows:

- ▶ a small firm is defined as a firm that employs at least one and no more than 150 registered persons;²
- ▶ a mid-size firm is defined as a firm that employs at least 151 and no more than 499 registered persons;³ and
- ▶ a large firm is defined as a firm that employs 500 or more registered persons.⁴

Terms and Term Limits

Governors are appointed or elected for three-year terms to replace those whose terms expire. Governors may not serve more than two consecutive terms. If a governor is elected or appointed to fill a vacancy for a term of less than one year, the governor may serve up to two consecutive terms following the expiration of the governor's initial term.

The By-Laws expressly provide that the term of office of a governor shall terminate immediately upon a determination by the Board, by a majority vote of the remaining governors that the governor no longer satisfies the classification for which the governor was elected. Individuals seeking nomination for election as a Small Firm Governor, a Mid-Size Firm Governor or a Large Firm Governor also have an obligation to satisfy the firm-size classification on the date the petition is circulated, the date the petition is certified by FINRA's corporate secretary and the date of the annual meeting. Individuals who fail to meet this requirement will be disqualified from election.

FINRA Nominating Committee Nominees

Pursuant to Article VII, Section 9 of the FINRA By-Laws, the FINRA Nominating Committee has nominated the following individuals:

Mid-Size Firm Governor: John Muschalek, First Southwest Company

Large Firm Governor: John Thiel, Merrill Lynch Wealth Management

Profiles of the nominees are attached.

With respect to the Small Firm Governor seat, the Nominating Committee determined it would not nominate a candidate for election in 2015. Instead, any eligible candidates who obtain the requisite number of petitions will be included on the ballot.

Petition Process for Additional Candidates

Pursuant to Article VII, Section 10 of FINRA's By-Laws, a person who has not been nominated for election to the FINRA Board by the Nominating Committee may be included on the ballot for the election of governors if:

- a. within 45 days after the date of this *Election Notice*, such person presents to the Secretary of FINRA petitions in support of such nomination, duly executed by at least three percent of FINRA member firms entitled to vote for such nominee's election. If, however, a candidate's name appears on a petition in support of more than one nominee, the petition must be endorsed by 10 percent of FINRA member firms entitled to vote for such nominees' election; and
- b. the Secretary certifies that such petitions have been duly executed by the executive representatives of the requisite number of FINRA member firms entitled to vote for such person's election, 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.

As of close of business on Friday, April 24, 2015, the number of FINRA small firms was 3,695, the number of mid-size firms was 202, and the number of large firms was 179.

Firms may only endorse one petitioner for the same firm size seat as their own.

The petition must identify the seat for which the petitioner is seeking to be nominated. The petitioner must submit sufficient information to determine the person's status with respect to the category for which he or she is petitioning to be nominated. The petitioner must also provide information sufficient for the corporate secretary to determine that the petitions are duly executed by the executive representatives of the requisite number of applicable size firm members. In addition, to assist in the process of verifying petitions, FINRA requests that all petitions submitted be dated by their signatory. **Petitions must be submitted no later than Thursday, June 11, 2015.**

The names of persons obtaining the requisite number of valid petitions will be included on the appropriate proxy mailed to eligible firms in advance of the annual meeting.

Voting Eligibility

A proxy will be mailed, along with the notice of the annual meeting, to the executive representative on record at each eligible FINRA firm prior to the annual meeting.

Firms are eligible to vote for the nominees who are running for seats that are in the same size category as their own firm. Therefore, small firms, mid-size firms and large firms may vote only for the candidates running for the seats reserved for their firm size.

FINRA will verify the size of each firm on the day the proxies are mailed. Each firm eligible to vote will receive a proxy containing the nominees for their voting class.

Endnotes

1. See Article Eight, paragraph (b) of the Restated Certificate of Incorporation of FINRA; Article VII, Section 4 of the FINRA By-Laws.
2. See Article I (ww) of the FINRA By-Laws.
3. See Article I (cc) of the FINRA By-Laws.
4. See Article I (y) of the FINRA By-Laws.

Profile of Mid-Size Firm Governor Nominee

John R. Muschalek is the vice chairman and head of First Southwest Company's Correspondent Clearing and Securities Lending divisions. He joined First Southwest Company in February 1992. He has also served as the firm's chief financial officer and Financial and Operations principal. Mr. Muschalek serves on the firm's board of directors, and Risk and Operations Management Committees. Before joining First Southwest Company, he served as the firm's auditor while working with the accounting firm KPMG Peat Marwick. Mr. Muschalek was re-elected to a 3-year term to the National Adjudicatory Council (NAC) in 2014 and is chairman of the Statutory Disqualification Committee, a subcommittee of the NAC. Previously, he served a partial term as a Mid-Size Firm NAC member in 2009 and 2010, completing the term vacated by another member. Mr. Muschalek has represented the firm on numerous industry committees and civic boards. He also serves as a member of the FINRA Financial Responsibility Committee (national committee), Uniform Practice Code Committee, and completed a term (2003 – 2005, Chairman 2005) on the FINRA District Committee (District 6). Other FINRA committees that Mr. Muschalek has served on include the FINRA Consultative Committee and the District 6 Nominating Committee. Mr. Muschalek has also served on the Securities Industry and Financial Markets Association (SIFMA) Operations Red Group Roundtable (national committee – 2006 Chairman) and the SIFMA Clearing Firms Committee (Chairman 2010, Vice Chair 2009). Mr. Muschalek currently serves as a Dallas YMCA Foundation Board Member and on the Texas A&M Mays School of Business Finance Advisory Board. He is a frequent speaker at local and national industry conferences. Additionally, Mr. Muschalek served five years on the board of directors and three years as the vice chairman of the Executive Committee of the Wilkinson Center, a Dallas-based charity. Mr. Muschalek maintains FINRA Series 7, 24, 27 and 63 licenses. He is a certified public accountant and member of the American Institute of CPAs and the Texas Society of CPAs. He earned a Bachelor of Science degree in business administration, majoring in accounting, from Texas A&M University.

Profile of Large Firm Governor Nominee

John Thiel is head of Merrill Lynch Wealth Management. In this role, he is responsible for the strategic management of almost 14,000 financial advisors and 6,000 client associates who make up Merrill Lynch's U.S. Wealth Management Group, along with more than 300 private wealth advisors in the Private Banking and Investment Group.

John was named head of Merrill Lynch Wealth Management in April 2011, but his journey with Merrill Lynch began two decades before, when he joined the company as a financial advisor in Tampa, Florida, in 1989. John was then selected to join the Global Private Client Division leadership team, later serving as the director in both Oakbrook and Northbrook, Illinois. In 2000, John joined the Private Banking and Investment Group, opening the private wealth management business in the Pacific Coast Region as regional managing director. During that time, he also led the firm's leadership Advisory Council to Management between 2003 and 2005. He was named head of the Private Banking and Investment Group in 2006, a role he held until his current one.

As his leadership and responsibilities within Merrill Lynch have grown, John has gained a new perspective on the role of Merrill Lynch's advisors. One of his key priorities as the head of Merrill Lynch Wealth Management is accelerating the shift toward a new dialogue: talking to clients about money in the way they think about it. Clients feel their money 'has a job to do' to help them reach their goals (e.g., educate their children, care for their parents, fund their homes, etc.). Under John's leadership, Merrill Lynch is focused on helping clients reach the outcomes they desire by offering the right capabilities, stripping away needless complexity, and constantly adjusting and adapting to their changing needs—the heart of the company's goals-based approach. Merrill Lynch has always been the standard-bearer for the financial services industry, and this is a responsibility John takes very seriously.

Since joining the firm, John has strived to carry out the principles of Charlie Merrill's 100+ year old legacy—that the customer must always come first, through good economic times and bad. Simultaneously, John recognizes how the wealth management industry continues to change, and the requirement for Merrill Lynch to be forward-thinking.

Outside of his other responsibilities as head of Merrill Lynch Wealth Management, John serves as a member of the Global Wealth and Investment Management (GWIM) Executive Committee, the Risk Rating Executive Oversight Committee, and the GWIM Product Approval Committee. He is also the executive sponsor for the GWIM Diversity and Inclusion Council.

Before joining Merrill Lynch, John led a distinguished career in public accounting and the insurance industry. His background includes tax and estate planning experience, with financial operating expertise as a CPA with KPMG. John also served as a senior instructor of the Dale Carnegie Professional Selling courses, helping countless students improve their skills.

A vocal advocate for cancer research, John serves as chairman of the Manhattan Region Financial Services Cares Board of the American Cancer Society. He also serves as chairman of the Board of Florida State University's Foundation.

John received his Bachelor of Science degree in accounting from Florida State University and became a Certified Public Accountant in 1985.