

Special Notice to Members

OCTOBER 6, 2004

INFORMATIONAL

SUGGESTED ROUTING

Executive Representatives
Senior Management

Nominees for NASD Board of Governors

KEY TOPICS

NASD Board of Governors

Executive Summary

The Annual Meeting of NASD members will be held on January 4, 2005.

The formal notice of the meeting, including the precise date, time, and location of the Annual Meeting, will be mailed on or about November 29, 2004.

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 Board of Governors 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 3 percent of the members of NASD. As of the date of this *Special Notice*, NASD has 5,271 voting members; therefore, the applicable 3 percent threshold is 158 members. If, however, a candidate's name appears on a slate of nominees, the slate must be endorsed by 10 percent of NASD's voting members. The applicable 10 percent threshold is 527 members; and

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(b) the Secretary certifies that such petitions have been duly executed by the Executive Representatives of the requisite number of members of NASD, 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.

Pursuant to Article VII, Section 4, of the NASD By-Laws, the NASD Board must consist of no fewer than 17 and no more than 27 Governors. The number of Governors within this range is set by the NASD Board. The Board is currently composed of 21 Governors.

On January 4, 2005, members will elect seven Governors, four of whom will occupy Industry positions on the Board, and three of whom will occupy Public positions on the Board.

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 seven persons (see attached profiles) have been nominated by the NNC to serve on the Board of Governors of NASD for a term of three years or until their successors are duly elected or qualified. Terms of office run from January 4, 2005, to January 2008.

Terms of Office 2005-2008

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)
William Heyman	Executive Vice President and Chief Investment Officer, The St. Paul Travelers Companies, Inc. (Representative of an Insurance Company)
Raymond A. Mason	Chairman and CEO, Legg Mason, Inc. (Representative of a Regional Retail Firm)

PUBLIC

James E. Burton	Chief Executive Officer, World Gold Council
Sir Brian Corby	Chairman (retired), Prudential Assurance Company
John Rutherford, Jr.	Chairman and CEO, Moody's Corporation

NASD Profiles of Board Nominees for Industry Governors

INDUSTRY

John W. Bachmann is senior partner of Edward Jones. Mr. Bachmann has been with Edward Jones in various positions since 1959. He became managing principal in 1980. Mr. Bachmann served as Chairman of the Securities Industry Association and on the Board of Governors of the Chicago Stock Exchange and on the Regional Firm's Advisory Board of the New York Stock Exchange. He has also served as Chairman of the NASD District 4 Committee. Mr. Bachmann is currently Chairman of the U. S. Chamber of Commerce and a Director of AMR American Airlines and the Monsanto Company. He holds a degree in economics from Wabash College and a Master's in finance from Northwestern University.

Richard F. Brueckner is Chief Executive Officer of Pershing LLC, a wholly owned subsidiary of The Bank of New York (BNY). Mr. Brueckner joined BNY in May 2003 when BNY acquired Pershing from Credit Suisse First Boston. He served as CEO of Pershing and as a member of the CSFB Executive Board after CSFB's acquisition of Donaldson, Lufkin and Jenrette and Pershing in November 2000. Mr. Brueckner joined DLJ in 1978 and has served as Treasurer of DLJ Securities Corporation, Chief Financial Officer of Pershing, and has held a variety of senior management positions in administration, finance, marketing, and operations at Pershing. Prior to 1978, he was in the management group of the Investment Services Department of KPMG Peat Marwick. Mr. Brueckner served as Chairman of the Securities Industry Foundation for Economic Education and is a trustee of its successor organization, Foundation for Investor Education. He is a director of the Securities Industry Association and has served as the founding Chairman of the Clearing Firms Committee, Chairman of the Membership Committee, and Chairman of the New York District. He has also served on various boards and committees for NASD. Mr. Brueckner holds a B.A. in economics from Muhlenberg College, where he is Vice Chairman of the Board of Trustees. He is also a CPA.

William Heyman is Executive Vice President and Chief Investment Officer of The St. Paul Travelers Companies, Inc. Until March 15, 2002, Mr. Heyman was Chairman of Citigroup Investments, a subsidiary of Citigroup that managed most of Citigroup's proprietary investments. His responsibilities included all public and private equity-related investments, real estate and alternative investments, as well as Citigroup's pension fund. He founded and was, until his departure, Chief Executive Officer of Tribeca Investments, a Citigroup subsidiary that conducts proprietary trading and investment activities including merger arbitrage and convertible hedging. He was a Senior Vice President of various Citigroup insurance subsidiaries, including Travelers, and served as a Citigroup representative on several boards. Prior to joining Citigroup in 1995, he was, successively, a managing director and head of the private investment department of Solomon Brothers; director of the Division of Market Regulation of the U.S. Securities and Exchange Commission in Washington, DC (1991-1993); and a managing director and head of the arbitrage department of Smith Barney. He began his career in the securities business in 1979, when he co-founded Mercury Securities, a broker-dealer specializing in merger arbitrage of which he was the Chief Operating Officer for nine years. Prior to that, he was a securities lawyer, principally with Cravath, Swaine & Moore. Mr. Heyman graduated *magna cum laude* from Princeton University, where he was elected to Phi Beta Kappa, and *cum laude* from Harvard Law School.

Raymond A. Mason is Chairman of the Board, President, and Chief Executive Officer of Legg Mason, Inc., and Chairman and CEO of Legg Mason Wood Walker, Inc. Mr. Mason founded Mason and Company in 1962, and in 1970 the company merged to form Legg Mason, Inc. He has been very active in the securities industry, serving as Chairman of the Securities Industry Association in 1986, Chairman of the Board of Governors of NASD in 1974, and Chairman of the Regional Firms Committee of the New York Stock Exchange in 1978. He was appointed by the SEC to serve on a broker compensation practices committee in May 1994. Currently, he is Chairman of the Board of Trustees of Johns Hopkins University and a member of the executive committee of both Johns Hopkins University and Johns Hopkins Medicine, and Chairman of the Maryland Business Roundtable for Education. Mr. Mason received a bachelor's degree in Economics from the College of William and Mary.

NASD Profiles of Board Nominees for Public Governors

PUBLIC

James E. Burton is the Chief Executive Officer of World Gold Council in London, England. Previously, he served as Chief Executive Officer of California Public Employees Retirement System (CalPERS) since 1994. Prior to joining CalPERS, Mr. Burton was Deputy State Controller, advising the State Controller on public pension, government borrowing and other state finance issues. He has also held various government positions, including Deputy Chief of Staff to Governor Jerry Brown. Currently, Mr. Burton is Second Vice President and a member of the Executive Committee of the National Association of State Retirement Administrators, and Co-Chair of the Council of Institutional Investors. Mr. Burton holds a degree from the University of San Francisco.

Sir Brian Corby served as Chairman of Prudential Corporation from 1990 until his retirement in 1995. Prior to this, he was Group Chief Executive. Sir Brian has also served as President of the Confederation of British Industry, President of the National Institute of Economic and Social Research, and President of the "Association de Geneve," an insurance industry "think tank." He was made a Knight Bachelor in the Queen's Birthday Honours in June 1989. Sir Brian graduated with an honours degree in mathematics from St. John's College Cambridge.

John Rutherford, Jr. is Chairman and Chief Executive Officer of Moody's Corporation. He was elected Chairman in October 2003. Mr. Rutherford was named CEO when the firm became an independent public company in October 2000. Previously, Moody's was part of the Dun & Bradstreet Corporation. He joined the company in 1995 to develop new business activities with the title of Managing Director, Moody's Holdings. He was appointed Chief Administrative Officer in 1996 and President in 1998. Prior to joining Moody's, he was President of Interactive Data Corporation (IDC) from 1990 to 1995, Executive Vice President of Dun & Bradstreet Financial Information Services (North America) from 1989 to 1990, and Vice President and Chief of Staff from 1980 to 1985 of Chase Information Services Group, an affiliate of Chase Manhattan Bank. Mr. Rutherford received an AB from Princeton University and an LLB from Harvard Law School.

Governors with Terms Expiring in January 2005

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)
Barbara L. Weaver ¹	Vice President, Legal & Compliance, Howard Weil, Incorporated (Chair of the National Adjudicatory Council)

NON-INDUSTRY

Harry P. Kamen*	Retired Chairman and Chief Executive Officer, Metropolitan Life Insurance Company (Representative of an Insurance Company)
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PUBLIC

James E. Burton	Chief Executive Officer, World Gold Council
Sir Brian Corby	Chairman (retired), Prudential Assurance Company
John Rutherford, Jr.	Chairman and CEO, Moody's Corporation

* Not eligible for re-election

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, Westfield Bakerink Brozak, 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

Governors with Terms Expiring in January 2007

INDUSTRY

William C. Allover, 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 Dean, Washington University School of Law

Sharon P. Smith* Dean, College of Business Administration, Fordham University

* Not eligible for re-election

Endnote

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

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