NASD NOTICE OF MEETING AND PROXY

National Association of Securities Dealers, Inc. Notice Of Meeting And Proxy

The Annual Meeting of members of the National Association of Securities Dealers, Inc. (NASD®) will be held on December 21, 1998, at 9:30 a.m., at the Carlton Hotel, 16th & K Sts. N.W., Washington, D.C.

The items of business to be considered at the Annual Meeting are:

- 1. Election of persons to serve on the Board of Governors for a term of no more than three years or until their successors are duly elected and qualified. Exhibit I lists the persons nominated by the NASD National Nominating Committee and those persons who, pursuant to Section 10 of Article VII of the By-Laws of the NASD: i) presented the requisite number of petitions in support of nomination; and ii) have been certified by the Secretary of the NASD as satisfying the classification of governorship to be filled.¹ Exhibit II and Exhibit III list the biographies of all candidates.
- 2. Such other matters as may properly come before the Annual Meeting, including any continuation of the Annual Meeting caused by any adjournment or any postponement of the Annual Meeting.

The record date for the Annual Meeting is the close of business on November 18, 1998.

Pursuant to Sections 1 and 3(b) of Article XXI of the NASD By-Laws, in order for an NASD member to properly bring any other business before the Annual Meeting, the member must give timely notice in writing to the Secretary of the NASD, the member must be an NASD member at the time of the delivery of such notice, and the other business must be a proper matter for member action. To be timely, a member's notice must be delivered to the Secretary at the NASD's principal executive offices (the address is listed below) within 25 days of the date hereof. The member's notice must offer a brief description of the other business desired to be brought before the Annual Meeting, any material interest of the member in such business, and the reasons for conducting such business at the Annual Meeting.

Since this proxy mailing coincides with the year-end holiday season, it is anticipated that a second proxy document will be mailed, followed by telephone reminders from a representative of the NASD, during the period between December 1, 1998 and December 20, 1998. This should ensure that sufficient proxies or votes are received to constitute the Annual Meeting quorum required by the By-Laws.

It is important that all members be represented at the Annual Meeting. An RSVP card is enclosed with this package; please return this card as soon as possible. If attending the meeting is not possible, members are urged to sign and promptly return the enclosed proxy in the accompanying envelope, which requires no postage if mailed in the United States.

RSVP:

Joan C. Conley, Corporate Secretary National Association of Securities Dealers, Inc. 1735 K Street, N.W. Washington, D.C. 20006-1500

Exhibit I

The following persons have been nominated by the National Nominating Committee, or are candidates by virtue of having obtained the requisite number of member signatures (Nominees by Petition), to serve on the Board of Governors of the NASD for a term of no more than three years or until their successor are duly elected and qualified. Terms run from January to January.

INDUSTRY

For the Industry candidates specified below, members are asked on the Proxy to choose three and only three of the six candidates listed. In the event that a member casts a vote for more nominees than there are vacancies on the Board, such Proxy will not be counted and will be deemed to be invalid. Please note that one of the Industry Governors elected must be one of the candidates indicated with an asterisk (*). The asterisk (*) indicates a firm not having more than 150 registered persons.

NON-INDUSTRY

For the Non-Industry candidates specified below, members are asked on the Proxy to choose four and only four of the five candidates listed. In the event that a member casts a vote for more nominees than there are vacancies on the Board, such Proxy will not be counted and will be deemed to be invalid.

PUBLIC

For the Public candidates specified below, members are asked on the Proxy to choose five of the candidates listed.

Name Term National Nominating Committee Nominees

E.David Coolidge, III 1999-2002 Chief Executive Officer William Blair & Company, L.L.C.

James Dimon 1999-2002
Former President of Citigroup Inc.
after the combination of Travelers
Group and Citigroup
Former Chairman and Co-Chief
Executive Officer of Salomon Smith
Barney

Richard C. Romano* 1999-2002 President Romano Brothers & Company

Nominees by Petition

M. LaRae Bakerink* 1999-2002
Director of Compliance
SK International Securities
Corporation

Alan L. Davidson* 1999-2002 President Zeus Securities, Inc.

Bill Singer 1999-2002
Regulatory Partner

Regulatory Partner Singer Frumento, LLP

Name Term National Nominating Committee Nominees

H.Furlong Baldwin 1999-2002 Chairman Mercantile Bankshares Corporation

Eugene M. Isenberg 1999-2002 Chairman and Chief Executive Officer Nabors Industries, Inc.

Arthur Rock 1999-2002
Principal
Arthur Rock & Co.

James F. Rothenberg 1999-2002
President
Capital Research and
Management Company

Nominee by Petition

Dan Jamieson 1999-2002 Editor in Chief Registered Representative Magazine

Name Term National Nominating Committee Nominees

Gerald R. Ford 1999-2000 38th President of the

1999-2002

Elaine L. Chao
Distinguished Fellow
The Heritage Foundation

United States

Kenneth M. Duberstein 1999-2002
Chairman and Chief
Executive Officer
The Duberstein Group

Donald J. Kirk 1999-2002 Executive-in-Residence Columbia University

John D. Markese 1999-2002 President

American Assoc. of Individual Investors

Endnote

¹Pursuant to Section 10 of Article VII of the By-Laws of the NASD, additional candidates have been included on the ballot for the election of Governors because (a) within 45 days of the date of this notice such persons presented to the Secretary of the NASD petitions in support of such nomination duly executed by at least three percent of the members of the NASD, and (b) the Secretary certified that such petitions were duly executed by the Executive Representatives of the requisite number of members of the NASD and the person being nominated satisfied the classification of the governorship to be filled based on the information provided by the person as was reasonably necessary for the Secretary to make the certification.

NASD Notice Of Meeting And Proxy

November 17, 1998

²Pursuant to Section 4 of Article VII of the By-Laws of the NASD, the Board shall include a representative of an NASD member firm having not more than 150 registered persons.

Exhibit II

National Association of Securities Dealers, Inc.

Profiles Of National Nominating Committee Board Nominees

Nominees For Industry Governors

E.David Coolidge, III is Chief Executive Officer of William Blair & Company, L.L.C. Mr. Coolidge joined William Blair & Company in 1969 and was elected Chief Executive Officer of the firm in 1995. Mr. Coolidge currently serves on the Board of the Pittway Corporation, the Kellogg Graduate School of Management at Northwestern University, the University of Chicago, the Rush-Presbyterian-St.Luke's Medical Center, the Rush North Shore Medical Center, and the Better Government Association. Mr. Coolidge holds a B.A. from Williams College and an M.B.A. from the Harvard Graduate School of Business. Mr. Coolidge currently serves on the NASD Board of Governors (1996 to present) and is a member of the NASD Audit Committee.

James (Jamie) Dimon is the former President of Citigroup Inc., after the combination of Travelers Group and Citicorp in October 1998, and the former Chairman and Co-Chief Executive Officer of Salomon Smith Barney. Mr. Dimon joined Travelers Group in 1986. He was appointed President of Travelers Group in 1991 and became Chief Operating Officer in 1993. He was named Chairman and Chief Executive Officer of Smith Barney in 1996. Mr. Dimon is on the Board of Trustees of Mount Sinai-NYU Medical & Health System, the Board of Directors of the Center on Addiction and Substance Abuse, the Board of Directors of Tricon Global Restaurants, Inc., and the Board of Directors of the Welfare to Work Partnership. Mr. Dimon holds a B.A. from Tufts University and an M.B.A. from Harvard University Graduate School of Business. He currently serves on the NASD Board of Governors (1996 to present) and is Chairman of the NASD Management Compensation Committee.

Richard C. Romano is President, Romano Brothers & Company, having joined the firm in 1964. Mr. Romano has served on the Industry/Regulatory Council for Continuing Education, the NASD District Committee and the NASD Board of Governors (1985 to 1988). Mr. Romano currently serves on the NASD National Nominating Committee and is Vice Chairman of the NASD Small Firm Advisory Board. He holds a B.S. from the University of Illinois and an M.S. and Ph.D. from the University of Delaware.

Nominees For Non-Industry Governors

H. Furlong Baldwin is Chairman of the Mercantile Bankshares Corporation; he was elected as Chairman in 1984. Mr. Baldwin joined Mercantile-Safe Deposit & Trust Company in 1956 and was elected President in 1970 of Mercantile-Safe Deposit & Trust Company and Mercantile Bankshares Corporation. Mr. Baldwin serves on the Boards of Baltimore Gas & Electric Company, Constellation Holdings, Inc., GRC International, Inc., Offitbank, Wills Group, and The St. Paul Companies. Mr. Baldwin graduated from Princeton University and served on active duty with the U.S. Marine Corps. Mr. Baldwin currently serves on the NASD National Nominating Committee (1998 to present).

Eugene M. Isenberg is Chairman and Chief Executive Officer of Nabors Industries, Inc., a position he has held since 1987. He serves as a Director of the American Stock Exchange and also Danielson Holding Corporation, an insurance holding company. From 1969 to 1982, Mr. Isenberg was Chairman of the Board and principal shareholder of Genimar, Inc., a steel trading and building products manufacturing company, which was sold in 1982. From 1955 to 1968, Mr. Isenberg was employed in various management capacities with the Exxon Corporation.Mr. Isenberg is the founder and principal sponsor of the Parkside School for children with learning disabilities and has established the Eugene M. Isenberg Scholarships at the University of Massachusetts where the School of Management is named after him. He was an instructor at Princeton University from 1951 to 1952 and served as an officer in the U.S. Navy from 1952 to 1955. Mr. Isenberg holds a B.A. from the University of Massachusetts and an M.A. from Princeton University in 1952. Mr. Isenberg completed the program for Senior Executives at M.I.T.

Arthur Rock is Principal of Arthur Rock & Co., a venture capital firm in San Francisco, California.Mr. Rock founded the firm in 1969. Prior to that time, he spent seven years as a general partner at Davis & Rock. He served as Chairman of the Board of Directors of Scientific Data Systems, Inc. from 1962 to 1969 (when they merged with Xerox Cor-

poration); he was a Director of Xerox Corporation from 1969 to 1972; a member of the Executive Committee and Director of Teledyne, Inc. from 1961 to 1994; a Director of Apple Computer, Inc. from 1980 to 1993; and he is Founder, Past Chairman of the Board of Directors, Chairman of the Executive Committee and Lead Director of Intel Corporation.Mr. Rock serves on the Boards for Echelon and Air Touch Communications. He has been a member of the visiting committee at Harvard Business School and is a member of the Board of Trustees of the California Institute of Technology. Mr. Rock is involved in many cultural and civic organizations in the San Francisco area. He holds a B.S. from Syracuse University and an M.B.A. from Harvard University. Mr. Rock currently serves on the NASD Board of Governors (1998 to present).

James F. Rothenberg is President of Capital Research and Management Company. Mr. Rothenberg assumed the position of President and Director of Capital Research and Management Company in 1994, having joined the company in 1970. Mr. Rothenberg serves on the Boards of the Huntington Memorial Hospital, KCET (Public Television for Southern and Central California), and the Westridge School. Mr. Rothenberg holds a B.A. in English from Harvard College and an M.B.A. from Harvard Graduate School of Business. He currently serves on the NASD Board of Governors (1996 to present), The Nasdaq Stock Market® Board of Directors, the Nasdaq Listing Subcommittee, and the NASD Management Compensation and Finance Committees.

Nominees For Public Governors

Gerald R. Ford served as 38th President of the United States. Before entering the Presidency in 1974, President Ford served as Vice President for nine months under President Richard Nixon. Prior to this, President Ford served in the U.S. House of Representatives for 25 and one-half years. Since leaving the White House in 1977, President Ford has lectured at many colleges and universities and participated in public policy forums and conferences. President Ford serves as an Advisor to the Board of the American Express Company and is a member of the Board of The Travelers Group. President Ford holds a B.A. from the University of Michigan and an LL.B. from Yale University Law School.

Elaine L. Chao was appointed a Distinguished Fellow at The Heritage Foundation in 1996. Prior to this, she was President and Chief Executive Officer of the United Way of America, Director of the Peace Corps, and Deputy Secretary of the U.S. Department of Transportation. She was also Vice President, Syndications, at Bank America Capital Markets Group. Ms. Chao is currently a Director of Dole Food Company, Inc., Vencor, Inc., and Protective Life Corporation.Ms. Chao holds an A.B. from Mt. Holyoke College and an M.B.A. from Harvard University Business School. Ms. Chao currently serves on the NASD Board of Governors (1996 to present) and the NASD Audit Committee.

Kenneth M. Duberstein is Chairman and Chief Executive Officer of The Duberstein Group. Prior to this, Mr. Duberstein served as Chief of Staff to President Ronald Reagan from 1988 to 1989. During President Reagan's two terms in office, Mr. Duberstein also served in the White House as Deputy Chief of Staff (1987), as well as both the Assistant and the Deputy Assistant to the President for Legislative Affairs (1981 to 1983). Mr. Duberstein currently serves on the Board of Governors of the American Stock Exchange and on the Board of Directors at the Boeing Company, Cinergy Corporation, Federal National Mortgage Association, and The St. Paul Companies, Inc. He is Vice Chairman of the Kennedy Center for the Performing Arts. Mr. Duberstein holds an A.B. from Franklin and Marshall College and an M.A. from American University.

Donald J. Kirk is Executive-in-Residence at Columbia University, Graduate School of Business. Mr. Kirk became a Professor of Accounting at Columbia University in 1987 and served in that capacity until 1995 when he became an Executive-in-Residence at the school. Mr. Kirk served as a member of the Financial Accounting Standards Board from 1973 to 1987, serving as Chairman from 1978 to 1987. Mr. Kirk currently serves as a Director of General Re Corporation, as a Trustee of the Fidelity Group of Mutual Funds, and is a member of the Public Oversight Board of the American Institute of CPAs. Mr. Kirk is Chairman of the Board of Trustees of Greenwich Hospital and a Director of Yale-New Haven Health Services Corp. Mr. Kirk holds a B.A. from Yale University and an M.B.A. from New York University. Mr. Kirk currently serves on the NASD Board of Governors (1996 to present) and is the Chairman of the NASD Audit Committee.

John D. Markese is President of the American Association of Individual Investors. Mr. Markese holds a doctorate in Finance from the University of Illinois. Mr. Markese currently serves on the NASD Board of Governors (1996 to present), The Nasdag Stock Market Board of Directors, and the Nasdag Listing Subcommittee.

Exhibit III

National Association of Securities Dealers, Inc.

Profiles Of Board Nominees By Petition

Nominees For Industry Governors

M. LaRae Bakerink is Executive Vice President and Director of Compliance for SK International Securities Corporation, having joined the firm in 1992. Ms. Bakerink currently serves on the Board of Directors and serves as Executive Vice President for the California Association of Independent Broker/Dealers. Ms. Bakerink is a member of the NASD Board of Arbitrators. Ms. Bakerink holds a B.S. and an M.B.A. from San Diego State University.

Alan L. Davidson is President and founder, Zeus Securities, Inc., a small business NASD member since 1988. Mr. Davidson is also President and founder of the Independent Broker-Dealer Association, Inc. with 120 members in 17 states. A former member of the NASD District 10 Business Conduct Committee, he suggested creation of the District 10 News, a publication designed to educate and alert NASD members to potential compliance problems. Mr. Davidson testified before the Securities and Exchange Commission and the NASD's Rudman Commission for constructive reforms. The Rudman Commission and NASD adopted his suggestion to create an NASD Ombudsman. Mr. Davidson is a graduate of C.W. Post College where he served as President of the Alumni Association.

Bill Singer is the Regulatory Partner at the securities industry law firm of Singer Frumento LLP and is General Counsel to the Independent Broker-Dealer Association, Inc. Mr. Singer was formerly employed at Smith Barney, Harris Upham & Co., the American Stock Exchange, the NASD, and Integrated Resources Asset Management, Inc. He holds a B.A. from New York University and a J.D. from New York Law School, and has held Series 7 and 63 registrations.

Nominees For Non-Industry Governors

Dan Jamieson is Editor in Chief of *Registered Representative* magazine. He has also served as a staff writer and managing editor over his 13-year career with the magazine. Mr. Jamieson currently serves on the board of the National Association of Investment Professionals. In 1994, he was named as a trustee to the Securities Industry Association's (SIA) Securities Industry Institute, a professional development program held yearly at the Wharton School of Business, and has served on the SIA's Investor Education Committee. Mr. Jamieson has been an instructor at several California community colleges where he has taught investing basics to hundreds of adult students. He was formerly a broker with Dean Witter Reynolds, and is a graduate of the University of Wisconsin-Madison.