

Special Notice to Members

AUGUST 23, 2006

SUGGESTED ROUTING

Legal & Compliance
Senior Management

KEY TOPICS

National Adjudicatory Council

INFORMATIONAL

NAC Nominees

NASD Announces Nominees for Regional Industry Member Seats on the National Adjudicatory Council

Executive Summary

The purpose of this *Special Notice to Members* is to announce the proposed nominees for the National Adjudicatory Council (NAC) from the New York and West Regions. The nominees, nominated for three-year terms beginning January 2007, are listed in Exhibit 1. The nominees will be proposed to NASD's National Nominating Committee unless an additional candidate comes forward within 14 calendar days from the date of this *Special Notice*.

We appreciate the interest shown by many members in expressing their desire to serve on the NAC, and thank everyone for their continuing support of the self-regulatory process. The New York and West Regional Nominating Committees thoroughly reviewed the background of every candidate before selecting their nominees in an effort to secure appropriate and fair representation of both regions.

Contested Election Procedures

If an officer, director or employee of an NASD member in the New York and West Regions has not been proposed for nomination by the Regional Nominating Committee and wants to seek the nomination, he or she should send a written notice to Barbara Z. Sweeney, NASD's Corporate Secretary, at the address below within 14 calendar days of the date of this *Special Notice*, or by **September 6, 2006**.

Barbara Z. Sweeney
NASD
Office of the Corporate Secretary
1735 K Street, NW
Washington, DC 20006-1506

The Contested Nomination Procedures can be found in Article VI of the NASD Regulation By-Laws. If no additional candidate comes forward within 14 calendar days, the New York and West Regional Nominating Committees shall certify their candidates to NASD's National Nominating Committee.

Questions/Further Information

Questions concerning this *Special Notice* may be directed to Barbara Z. Sweeney, Senior Vice President and Corporate Secretary, at (202) 728-8062, or via e-mail at barbara.sweeney@nasd.com.

National Adjudicatory Council Membership and Function

Membership

The NAC consists of 14 members—seven Industry members and seven Non-Industry members. Two Industry members are nominated by NASD's National Nominating Committee and are appointed by the NASD Regulation Board of Directors as at-large members. Five Industry members each represent one of the following geographic regions:

- Midwest Region:** Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin (Districts 4 and 8)
- New York Region:** New York (the counties of Nassau and Suffolk, and the five boroughs of New York City) (District 10)
- North Region:** Connecticut, Delaware, the District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York (except for the counties of Nassau and Suffolk, and the five boroughs of New York City), Pennsylvania, Rhode Island, Vermont, Virginia and West Virginia (Districts 9 and 11)
- South Region:** Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, the Canal Zone, Puerto Rico and the Virgin Islands (Districts 5, 6 and 7)
- West Region:** Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming and the former U.S. Trust Territories (Districts 1, 2 and 3)

Two regions (New York and West) will have open seats that need to be filled during this election. NAC members for the other three regions (Midwest, North and South) are indicated in Exhibit II, along with the year in which their terms expire.

Function

According to the NASD Regulation By-Laws, the NAC is authorized to act for the NASD Board of Governors in matters concerning:

- ▶ appeals or reviews of disciplinary proceedings, statutory disqualification proceedings or membership proceedings;
- ▶ the exercise of exemptive authority; and
- ▶ other proceedings or actions authorized by the Rules of NASD.

The NAC also considers and makes recommendations to the Board on enforcement policy and rule changes relating to the business and sales practices of NASD members and associated persons.

EXHIBIT I

Nominees for NAC Industry Member Seats

New York Region (District 10)

Laurence H. Bertan
Sanford C. Bernstein & Co., LLC
New York, NY

West Region (Districts 1, 2 and 3)

Francis X. Roche, II
RBC Dain Rauscher Inc.
San Francisco, CA

EXHIBIT II

NAC Members with Terms Expiring in January 2007

New York Region

Judith R. MacDonald
Rothschild, Inc.
New York, NY

West Region

Neal E. Nakagiri
NPB Financial Group, LLC
Burbank, CA

NAC Members with Terms Expiring in January 2008

Midwest Region

Timothy Henahan
Baker & Co., Inc.
Rocky River, OH

South Region

W. Dennis Ferguson
Sterne Agee Clearing
Boca Raton, FL

NAC Member with Term Expiring in January 2009

North Region

Stephanie L. Brown
Linsco/Private Ledger Corp.
Boston, MA