

Kenneth M. Duberstein
Chairman

NASD National Nominating Committee

November 9, 2006

Dear NASD Member:

On behalf of the National Nominating Committee (NNC), I am writing to update you on the Committee's progress in selecting a candidate to run for the Small Firm seat on the Board of Governors being vacated by William C. Alsover. I think you will be pleased with our progress so far, although much remains to be done.

In mid-August, I sent you an outline of the process the NNC intended to follow in selecting its nominee for the Small Firm seat. Initially, each NASD Regional Nominating Committee (RNC) was asked to provide the names of two potential candidates from its region for consideration by the NNC.

During August, a letter was sent from the Chair of each NASD Regional Nominating Committee (RNC) to every NASD member firm within its respective region requesting submission of possible candidates for consideration. The candidates were reviewed by the appropriate RNC, interviews were conducted and, as requested, two potential candidates were selected from each Region and submitted to the NNC for consideration.

Additionally, the NNC requested recommendations for two potential candidates from four industry associations: the National Association of Independent Broker-Dealers (NAIBD), the Financial Services Institute (FSI), the Securities Industry and Financial Markets Association (SIFMA) and the Financial Industry Association (FIA).

On October 10th, the NNC met in Washington, DC, to conduct an initial review of potential candidates. At that meeting, the NNC decided to conduct in-person interviews with eight candidates. Those interviews were conducted on October 27th in Washington, DC.

The NNC is scheduled to meet again in New York before the end of the year to further consider its nominee for the Small Firm seat as well its nominees for the other available NASD Board seats.

I want to assure you that the NNC has worked diligently to make this year's nomination process absolutely inclusive, totally transparent, and completely open. We are very proud of the process we have adopted and are extremely gratified by the overall quality of the 40 candidates vetted through the RNCs and the industry associations (that decided to participate fully in the process).

In view of the superior candidates with which we have been presented, we are confident that the NNC's nominee for the Small Firm seat will do an outstanding job of representing small firms on the Board of Governors and, without question, will be an individual who will merit your support in the upcoming election.

Thank you for your continued support and involvement in this important process. We will keep you updated.

With Best Wishes,



Ken Duberstein