

EXHIBIT B
NASD Board Materials

NASD

**MEETING OF THE
BOARD OF GOVERNORS**

**NASD Financial Center
One Liberty Plaza, 48th Floor
New York, NY**

**November 21, 2006
3:30 – 5:00 p.m.**

ADMINISTRATIVE

Chairman Mary L. Schapiro called the November 21, 2006 meeting of the NASD Board of Governor's (Board) to order at 3:35 p.m. Eastern Time.

Members of the Board Present were:

Mary L. Schapiro, Chairman
William C. Alsover, Jr.
John W. Bachmann*
Charles A. Bowsher
John J. Brennan
Richard F. Brueckner
James E. Burton*
Sir Brian Corby*

Tyler F. Dedman
William H. Heyman*
Brian J. Kovack
Judith R. MacDonald
John Rutherford, Jr.*
Joel Seligman*
John S. Simmers*
Sharon P. Smith*

Board Member Not Attending:

Raymond A. Mason

Members of the Staff Present were:

Marcia Asquith
T. Grant Callery
Todd T. Diganci
Michael D. Jones
Stephen Luparello

Marc Menchel
Howard Schloss
Doug Shulman
Barbara Z. Sweeney
Elisse B. Walter

Outside Counsel Present were:

James B. Bucher
Creighton O'M. Condon
William Haubert
Mario J. Verdolini

Shearman & Sterling LLP
Shearman & Sterling LLP
Richards, Layton & Finger P.A.
Davis, Polk & Wardwell

* Participated Telephonically

REPORT OF THE CHAIRMAN

Chairman Schapiro thanked the Board for being available on short notice during the holiday week. Redacted

She then provided a brief historical review of the process leading up to the proposed term sheet.

Chairman Schapiro explained that discussions first started almost a year ago between

NASD and NYSE Regulation. The NYSE starting bid was a joint venture. NASD did not think that was the right way to go – it would have required that NASD separate out its exam and enforcement programs and put them into a separate entity that would be 50% controlled by the NYSE. In effect, it would be taking NASD – an unconflicted regulator - and putting it under the partial control of a marketplace – exactly the opposite of what NASD had worked so hard to end by splitting from Nasdaq. Chairman Schapiro explained that through further discussions the current compromise was reached. She said it was the right solution because it eliminates duplication and conflicting regulation for dual members, preserves NASD as the dominant entity in charge, and preserves significant industry participation in the process.

Chairman Schapiro outlined the three major components of the transaction. First, the Governance Structure, as contained in the term sheet, will be effectuated through By-Law amendments that the Board will consider at the December Board meeting. She clarified that the By-Law changes are a reflection of the term sheet that the Board would be asked to vote on today.

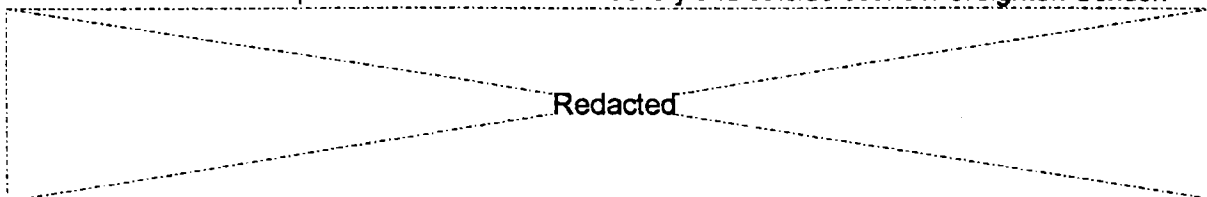
Second, Chairman Schapiro explained that the financial compensation of \$103 million to be paid to the NYSE evolved from the initial NASD offer of \$50 million and NYSE's initial demand of \$175 million. This amount compensates the NYSE Group for approximately two and a half years worth of overhead costs attributed to their regulatory operation.

Third, Chairman Schapiro outlined the plan regarding the financial compensation to be paid to member firms and indicated that she wanted Board input on the level of payment to be made as well as a program of rebates she would be proposing.

Chairman Schapiro credited Todd Diganci with his work regarding the financial arrangements of the proposal and praised Steve Luparello for his work regarding the terms of the governance structure.

Chairman Schapiro said NASD has negotiated hard with NYSE and she believes that this is a very good deal for member firms, U.S. markets and investors. She reported that SEC Chairman Chris Cox has expressed the strongest possible support for the concept. She voiced concern that after discussions with the SEC staff, she believes that if NASD does not shape the future of self-regulation, the SEC may do it for us in a less appealing way through Regulation SRO. She also brought to the Board's attention recent remarks by U.S. Treasury Secretary Paulsen in which he endorsed the concept as one of the ways that the U.S. regulatory regime can be streamlined.

Chairman Schapiro then called on Grant Gallery and outside counsel Creighton Condon



ACTION ITEMS

Chairman Schapiro walked through the details of the term sheet. She explained the new system for election of Governors contemplated and explained that the NYSE Regulation Board will not be disbanded because they are retaining their market surveillance duties. Under SEC rules, they must retain that Board.

Chairman Schapiro called upon Mr. Luparello who reviewed with the Board each of the material provisions of the term sheet (attached).

A detailed discussion of the term sheet ensued with Governors asking questions related

to the Board size, composition and processes for population of both the transition and the permanent Boards.

Chairman Schapiro called upon Mr. Diganci to walk through the financial details of the arrangement. He stated that there were two guiding principles in financially structuring the deal. First, that any costs savings would inure to the benefit of investors and the industry. Second, the deal should leave NASD and NYSE in a financially neutral position.

REDACTED

Mr. Diganci stepped the Board through a 5 year proforma of the NYSE Member Regulation business to be transferred, defining the components of revenues, expenses and targeted fee reductions. The proforma showed total revenues and expenses of approximately over the 5 years with targeted cost saving opportunities, to approximate After factoring in overhead expenses and fine collections, the proforma showed roughly of positive net cash flows. of excess net cash flows was targeted to be returned to the members in fee reductions. The first fee reduction planned was a \$1,200 per year discount in the Gross Income Assessment for all firms over 5 years totaling \$30 million. This future committed rebate would effectively result in the smallest 2,400 firms not paying a Gross Income Assessment for five years. Second, there is a projected fee reduction totaling essentially funded by to be shared by all firms on a pro rata basis of fees paid. In addition to these benefits, a third benefit to the members identified was a one time special payment to members totaling per firm at time of closing the transaction. Together, the total amount of benefits to inure to the members was estimated to be over 5 years.

With respect to NASD's economics, the overall cost of the transaction was estimated to be. This estimate was comprised of the

REDACTED

The net effect between the benefit to the members and the cost to the NASD was estimated to be a positive over the 5 years.

Mr. Diganci noted that after conducting financial due diligence, or in the future should there be a change in regulatory scope or mandates, these economics would change. However, he believed this was a fair representation of the financials overall as we know it today.

The Board then discussed the financial arrangements of the transaction, including the potential payment to members. A number of Governors gave their views on amounts ranging from \$30,000 to \$40,000. They expressed the view that regardless of the amount agreed upon, it was paramount that the figure not be subject to negotiation.

Chairman Schapiro called upon Mario Verdolini from Davis, Polk and Wardell:

Redacted

Chairman Schapiro asked Mr. Shulman and Mr. Schloss to explain the campaign to win membership approval of the By-Law changes. There was discussion among the Governors that the biggest hurdle to overcome is the loss of one vote/one member concept and it was agreed that it will take a sizable selling job to overcome this hurdle.

Chairman Schapiro responded that we have struggled with the issue of firms having ability to vote for the entire Board. Large firms are not now represented on the NASD Board. It is very important to the NYSE that only large firms vote on the large firm seats. By the same

token small firms now only have one guaranteed seat and under the new system they will have three dedicated seats, which will be voted upon by small firms only. Therefore, she stated, this seemed the fairest way to have firms elect their particular representative to the Board.

Mr. Shulman explained the vote requirements and that, as opposed to a vote for Governors of the Board, we are able to advocate for these By-Law changes. Mr. Schloss outlined the timeline for the campaign plan, including road shows to 25 cities. Chairman Schapiro stressed that no regulatory staff will be participating in either the outreach campaign or the road shows.

After answering questions about the campaign, Chairman Schapiro asked for a motion to approve the Resolutions associated with the Term Sheet. Governor Brennan moved and Governor Smith seconded the following resolutions which were unanimously approved by the Board:

Approval of the Term Sheet for Proposed Transaction with NYSE Regulation, Inc.

BE IT RESOLVED, that terms and provisions of the non-binding term sheet (the "Term Sheet"), in substantially the form appended to the Action Item relating thereto for the NASD Board Meeting of November 21, 2006, between NASD and NYSE Group, Inc. ("NYSE"), relating to the proposed acquisition by NASD of the member-regulatory functions of NYSE Regulation, Inc. ("NYSE Regulation"), be, and they hereby are, approved and adopted in all respects, and that the appropriate officers of NASD be, and each of them acting alone hereby is, authorized, empowered and directed, in the name and on behalf of NASD, to execute and deliver the Term Sheet, with such modifications as the officers or officer executing the same shall approve, the execution by any of such officers in connection with the foregoing to establish conclusively such officer's authority therefore from NASD and the approval and ratification by NASD of the document so executed and the actions so taken; and be it further

Authorization of Preparation and Negotiation of Transaction Documents and Related Matters

RESOLVED, that the appropriate officers of NASD be, and each of them acting alone hereby is, authorized, empowered and directed, in the name and on behalf of NASD, to take any and all actions necessary, appropriate or advisable in connection with effectuating the proposed acquisition contemplated by the Term Sheet (the "Transaction") upon the terms and conditions consistent with the Term Sheet, including, without limitation, preparation of amendments to the Certificate of Incorporation and the By-Laws of NASD and preparation and negotiation of any documents, certificates, instruments, agreements and undertakings with NYSE and NYSE Regulation; and be it further

Appearance before the SEC and Related Matters

RESOLVED, that the appropriate officers of NASD be, and each of them acting alone hereby is, authorized, empowered and directed, in the name and on behalf of NASD, with the assistance of counsel, to appear before the Securities and Exchange Commission (the "SEC") in connection with the SEC's approval of the Transaction in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, without limitation, with respect to changes to the Certificate of Incorporation and the By-Laws of NASD; and be it further

RESOLVED, that the appropriate officers of and counsel for NASD be, and each of them acting alone hereby is, authorized, empowered and directed, in the name and on behalf of NASD, to file with or furnish to the SEC any documents, certificates, instruments, agreements and undertakings in connection with the Transaction, to file one or more amendments and/or supplements to any such documents, certificates, instruments, agreements and undertakings as may be necessary, appropriate or desirable as determined by any such officers or officer and to take such further action and execute all such other documents as may be necessary, appropriate or desirable in order to obtain the approval of the SEC of any documents, certificates, instruments, agreements and

undertakings filed with or furnished to the SEC and otherwise to comply with the requirements of the Exchange Act; and be it further

Approval of Regulatory Filings

RESOLVED, that, in order for NASD to comply with all applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and the rules and regulations thereunder, the appropriate officers of NASD be, and each of them acting alone hereby is, authorized, empowered and directed, in the name and on behalf of NASD, with the assistance of counsel, to prepare, execute, deliver and file or cause to be prepared, executed, delivered and filed all reports, statements, documents and information required to be filed by NASD pursuant to the HSR Act in connection with the Transaction; and to respond to all requests for additional information and to meet or confer with, or to cause counsel or other agents of NASD to meet or confer with, officials of the Antitrust Division of the Department of Justice or the Federal Trade Commission relating to the Transaction; and to defend any lawsuits or other legal proceedings, whether judicial or administrative, challenging the Transaction; and to seek to have any stay or temporary restraining order entered by any court or other governmental authority vacated or reversed; and be it further

Payment of Fees and Expenses

RESOLVED, that the appropriate officers of NASD be, and each of them acting alone hereby is, authorized, empowered and directed, in the name and on behalf of NASD, to pay all fees and expenses incurred by NASD in connection with the Transaction and the other actions authorized by these resolutions, such fees including, without limitation, fees and expenses of financial advisors, counsel and accountants, filing fees and printing costs, and to make all payments as they, or any one of them, shall determine to be necessary, appropriate or advisable, such payment to be conclusive evidence of such determination; and be it further

Authorization of Retention of Financial Advisor

RESOLVED, that the appropriate officers of NASD be, and each of them acting alone hereby is, authorized, empowered and directed, in the name and on behalf of NASD, to retain Houlihan Lokey Howard & Zukin Financial Advisors, Inc. ("Houlihan Lokey"), or another financial advisor as such appropriate officers or officer shall deem necessary, appropriate or advisable, and to negotiate, execute and deliver an engagement letter with Houlihan Lokey or with another financial advisor, for the purpose of preparing a presentation for NASD containing financial analyses as Houlihan Lokey or such other financial advisor, as the case may be,

deems appropriate to assist the Board of Governors with its evaluation of the Transaction and, if requested by NASD, providing a fairness opinion with respect to the Transaction; and be it further

Miscellaneous

RESOLVED, that the appropriate officers of NASD be, and each of them acting alone hereby is, authorized, empowered and directed, in the name and on behalf of NASD, to take any and all steps in connection with initiating or defending legal proceedings in any federal, state, local, foreign or other court, agency or authority as such officers or officer shall deem necessary, appropriate or advisable in connection with the Transaction; and be it further

RESOLVED, that the authority granted to the officers of NASD under the foregoing resolutions shall be deemed to include, in the case of each such resolution, the authority to perform such further acts and deeds as may be necessary, convenient or appropriate, in the good faith judgment of such officers, to carry out the transaction.

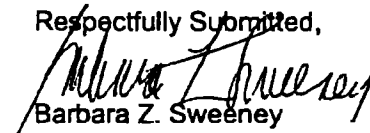
Chairman Schapiro then moved to approve the Resolutions associated with the special payment to Members. Governor Corby seconded the Motion. The following resolutions were unanimously approved by the Board. Voting to approve the resolutions were Governors Bowsher, Burton, Corby, Dedman, Heyman, Rutherford, Seligman, Schapiro and Smith. Governors abstaining were Alsover, Bachmann, Brennan, Brueckner, Kovack, MacDonald and Simmers.

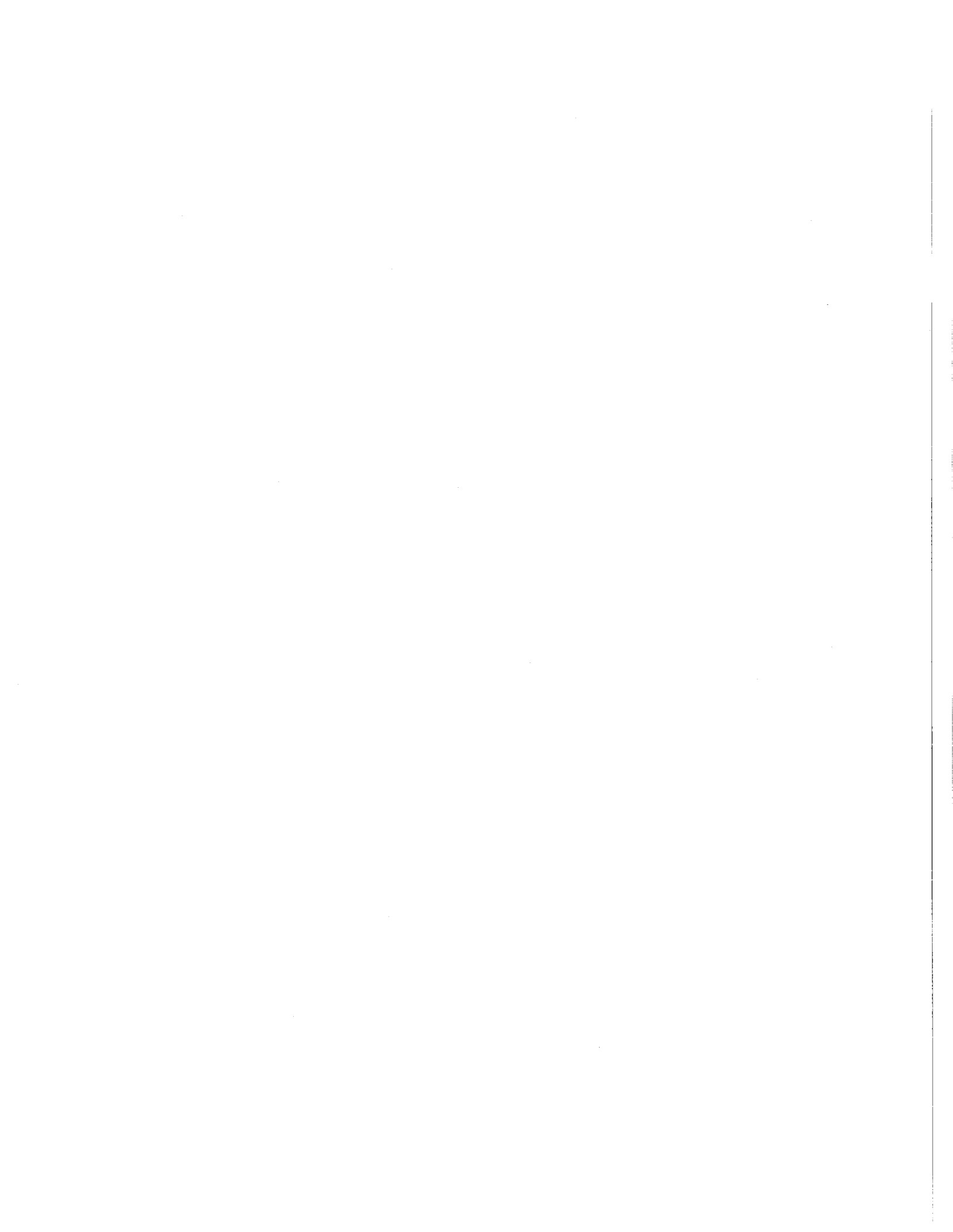
Approval of Committed Rebates and Special Member Payment

BE IT RESOLVED, that the Board of Governors of NASD hereby: Authorizes NASD Executive Management to execute the administration of committed rebates of \$30 million over 5 years, subject to annual ratification by the Board, and, subject to a favorable IRS ruling, a one-time special member payment of \$35,000 to each active NASD member as of the close of business on the business day next immediately preceding the closing of the Transaction, with such payment made as of the closing of the Transaction.

BE IT FURTHER RESOLVED, that the authority granted to the officers of NASD under the foregoing resolution shall be deemed to include the authority to perform such further acts and deeds as may be necessary, convenient or appropriate, in the good faith judgment of such officers, to carry out the special payment and committed rebates and the purposes and intents of the foregoing resolution.

Respectfully Submitted,


Barbara Z. Sweeney
Senior Vice President and
Corporate Secretary



NASD

**MEETING OF THE
BOARD OF GOVERNORS**

**NASD Financial Center
One Liberty Plaza, 48th Floor
New York, NY**

**December 6, 2006
11:00 a.m. – 1:00 p.m.**

ADMINISTRATIVE

Chairman Mary L. Schapiro called the December 6, 2006 meeting of the NASD Board of Governors (Board) to order at 11:00 a.m. Eastern Time.

Members of the Board Present were:

Mary L. Schapiro, Chairman
William C. Alsover, Jr.
John W. Bachmann
Charles A. Bowsher
John J. Brennan
Richard F. Brueckner
James E. Burton
Sir Brian Corby

Tyler F. Dedman
William H. Heyman
Brian J. Kovack
Judith R. MacDonald
John Rutherford, Jr.
Joel Seligman
John S. Simmers
Sharon P. Smith

Board Member Not Attending:

Raymond A. Mason

Members of the Staff Present were:

Marcia Asquith
T. Grant Callery
Martin Colburn
Todd T. Diganci
Linda D. Fienberg
Steven Joachim
Michael D. Jones
Stephen Luparello

Marc Menchel
Greg Raymond
Howard Schloss
Michael Shaw
Doug Shulman
Barbara Z. Sweeney
Elisse B. Walter
Robert Wood

EXECUTIVE SESSION

Chairman Mary L. Schapiro opened the meeting in Executive Session. The staff attending were Steve Luparello, Grant Callery, Todd Diganci, Doug Shulman and Barbara Sweeney.

Chairman Schapiro began by reminding Board members of the confidential nature of all discussions. She stated that the transaction to consolidate NYSE Member Regulation with NASD was announced on Tuesday, November 27, 2006, and we have had tremendous support from the SEC. Additionally, the transaction has been endorsed by the Securities Industry and Financial Markets Association (SIFMA), the Security Traders Association (STA) and the National Association of Independent Broker/Dealers (NAIBD).

All information relative to the transaction is on the NASD website. We have a team of people in place fielding calls. Twenty-six member meetings have been scheduled, and nine will have been completed by the end of this week. At those conducted, there have been no surprise questions, and we have had support from firms of all sizes at the member meetings. Despite this support, the FIA is opposing us very aggressively. The FIA has submitted petitions signed by 119 people asking to stop the transaction and give firms six months for feedback and to have an independent committee assess the transaction. We will stay the course. Our outreach effort will be very extensive and efforts made to reach each and every firm.

The Board asked Chairman Schapiro what is the hardest questions she has received. Chairman Schapiro stated that it is clearly the change to the current construct of "one firm/one vote". She further stated that despite the fact that the voting arrangements are changed by the transaction, there will be no compromise on the fact there will be robust/diverse industry participation. Since the public members will be appointed by the Board, and the industry participation on the SRO Board will be preserved, the result is a balanced and diverse governing body.

The Board expressed its strong support for the transaction and stressed that Chairman Schapiro did not negotiate this transaction on her own, that it was a transaction of the entire Board.

Redacted

Governor Brueckner moved and Governor Brennan seconded the motion to approve the following resolutions to make the changes to the By-Laws:

RESOLVED, that the proposed amendments to the By-Laws of NASD, in substantially the form appended to the Action Item relating thereto for the NASD Board meeting of December 6, 2006, be, and they hereby are, approved and adopted in all respects; and be it further

RESOLVED, that the Executive Committee of the Board is hereby granted the authority to approve any changes to the proposed amendments to the By-Laws that may be necessary in response to discussions with the Securities and Exchange Commission without further action of the Board; and be it further

RESOLVED, that the appropriate officers of NASD be, and they hereby are, authorized, empowered and directed, in the name and on behalf of NASD, to take all steps in connection with such amendments as such appropriate officers shall deem necessary, appropriate or advisable, including, without limitation, the preparation and distribution of a proxy statement to the members to submit the amendments to the By-Laws to the members for their approval at a special meeting.

After extensive discussion, all Governors present voted in favor of approval with the exception of Governor Dedman, who abstained and Governor Kovack who opposed.

Governor Seligman moved and Governor Burton seconded the motion to approve the following resolutions to call a special meeting, set the record date and to provide for management to accept proxies.

RESOLVED, that the Board of Governors hereby authorizes the Executive Committee of the Board to call a special meeting of members and to determine the date, time and place of such meeting to approve the amendments to the NASD By-Laws; and be it further

RESOLVED, that the Board of Governors hereby authorizes the Executive Committee to fix the record date for determining members entitled to notice of and to vote at a special meeting and any adjournment or postponements thereof; and be it further

RESOLVED, that T. Grant Callery and Barbara Z. Sweeney be, and hereby are, authorized to act as proxies in connection with the solicitation of proxies from NASD members for the special meeting on behalf of the Board of Governors.

The Board voted unanimously.

APPROVAL OF THE MINUTES

Chairman Schapiro called for motion to approve the minutes. Governor Smith moved and Governor Brennan seconded approval of the minutes. The following minutes were unanimously approved, as submitted, by the Board:

- Minutes of the September 21, 2006 NASD Board of Governors Meeting Held at One Liberty Plaza in New York, NY¹
- Minutes of the October 2, 2006 NASD Executive Committee Action²
- Minutes of the November 10, 2006 NASD Executive Committee Action³
- Minutes of the November 21, 2006 NASD Board of Governors Meeting Held at One Liberty Plaza in New York, NY⁴

REPORT OF THE AUDIT COMMITTEE

Chairman Schapiro called upon Governor Burton, Chairman of the Audit Committee (Committee), who reported that the Committee met on December 5, 2006 and reviewed the following matters, none of which requires Board approval:

- Office of Compliance Inspections and Examinations (OCIE) Report on Fixed Income Regulation – NASD staff is in the process of responding to the Securities and Exchange Commission (SEC) Inspection Report on Fixed-Income Regulation. The report indicates that the SEC found significant problems with NASD's fixed income regulation including inadequate supervision, insufficient resources and surveillance deficiencies. The report also indicates that NASD did not effectively detect, discipline and deter excessive markups and transaction reporting violations. Chairman Schapiro commented that NASD staff is working with SEC staff to clarify and address the SEC's concerns.
- Sarbanes-Oxley Section 404 (SOX 404) Status Update – The Committee discussed the SEC and the Public Company Accounting Oversight Board's (PCAOB) plans to issue statements to clarify SOX 404 requirements for both reporting companies and Certified Public Accounting firms with the intent to place more emphasis on risk considerations. The Committee also reviewed the report of the Committee on Capital Markets Regulation.
- The Committee received the following annual reports, none of which presents any issues or concerns:
 - Report on Key Controls in NASD's Technology Environment
 - Report on Status of Information Security
 - Report on NASD Business Continuity Planning

¹ Referenced document attached to these minutes as Exhibit 1.

² Referenced document attached to these minutes as Exhibit 2.

³ Referenced document attached to these minutes as Exhibit 3.

⁴ Referenced document attached to these minutes as Exhibit 4.

