NASDAQ STOCK MARKET INC
Form 10-Q
November 09, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2007

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to ______

Commission file number: 000-32651

The Nasdaq Stock Market, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**52-1165937**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
One Liberty Plaza, New York, New York	**10006**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s telephone number, including area code:

(212) 401-8700

No Changes

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding at November 2, 2007
Common Stock, $.01 par value per share	**113,785,836 shares**

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The Nasdaq Stock Market, Inc.

Form 10-Q

For the Quarterly Period Ended September 30, 2007

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About This Form 10-Q

Unless otherwise noted, in this Form 10-Q, the terms Nasdaq, we, us and our refer to The Nasdaq Stock Market, Inc. and its wholly-owned subsidiaries. The terms the Exchange and The Nasdaq Stock Market refer to The NASDAQ Stock Market LLC and its wholly-owned subsidiaries.

This Quarterly Report on Form 10-Q includes market share and industry data that we obtained from industry publications and surveys, reports of governmental agencies and internal company surveys. Industry publications and surveys generally state that the information they contain has been obtained from sources believed to be reliable, but we cannot assure you that this information is accurate or complete. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position are based on the most currently available market data. For market comparison purposes, data in this Quarterly Report on Form 10-Q for initial public offerings, or IPOs, is based on data provided by Thomson Financial, which does not include best efforts underwritings, and we have chosen to exclude closed-end funds; therefore, the data may not be comparable to other publicly-available initial public offering data. Data in this Quarterly Report on Form 10-Q for secondary offerings is also based on data provided by Thomson Financial. Data in this Quarterly Report on Form 10-Q for new listings of equity securities on The Nasdaq Stock Market is based on data generated internally by us, which includes best efforts underwritings and issuers that switched from other listing venues, closed-end funds and exchange traded funds, or ETFs. IPOs, secondary offerings and new listings data is presented as of period end. While we are not aware of any misstatements regarding industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the Risk Factors sections in our Preliminary Proxy Statement filed with the SEC on

November 5, 2007 and our Annual Report on Form 10-K for the year ended December 31, 2006.

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Forward-Looking Statements

The SEC encourages companies to disclose forward-looking information so that investors can better understand a company s future prospects and make informed investment decisions. This Quarterly Report on Form 10-Q contains these types of statements. Words such as anticipates, estimates, expects, projects, intends, plans, believes and words or terms of similar substance used in connection with any discussion of future operating results or financial performance identify forward-looking statements. These include, among others, statements relating to:

- *2007 outlook;*
- *the scope, nature or impact of the transactions contemplated by Nasdaq s agreements with Borse Dubai Limited, a Dubai company, or Borse Dubai, and OMX AB (publ), a public company organized under the laws of Sweden, or OMX, the proposed business combination with OMX, the proposed acquisitions of the Boston Stock Exchange, the Philadelphia Stock Exchange and other acquisitions, dispositions, investments or other transactional activities;*
- *the effective dates for and expected benefits of ongoing initiatives; and*
- *the outcome of any litigation and/or government investigation to which we are a party and other contingencies.*

Forward-looking statements involve risks and uncertainties. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among others, the following:

- *our operating results may be lower than expected;*
- *loss of significant trading volume or listed companies;*
- *our ability to implement our strategic initiatives and any consequences from our pursuit of our corporate strategy, including the proposed transactions with Borse Dubai and OMX, the proposed business combination with OMX and the acquisitions of the Boston Stock Exchange and the Philadelphia Stock Exchange;*
- *competition, economic, political and market conditions and fluctuations, including interest rate risk;*
- *government and industry regulation; or*
- *adverse changes that may occur in the securities markets generally.*

Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the uncertainty and any risk related to forward-looking statements that we make. These risk factors are more fully described in the Risk Factors sections in our Preliminary Proxy Statement filed with the SEC on November 5, 2007 and our Annual Report on Form 10-K for the year ended December 31, 2006. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. You should carefully read this entire Form 10-Q, including Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations, and our condensed consolidated financial statements and the related notes. Except as required by the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of *unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.*

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The Nasdaq Stock Market, Inc.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

The Nasdaq Stock Market, Inc.

Condensed Consolidated Statements of Income

(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Revenues				
Market Services	$ 578,668	$ 343,037	$ 1,561,550	$ 1,027,925
Issuer Services	73,229	59,742	210,321	182,000
Other	64	80	235	411
Total revenues	651,961	402,859	1,772,106	1,210,336
Cost of revenues				
Liquidity rebates	(291,240)	(153,196)	(754,743)	(491,027)
Brokerage, clearance and exchange fees	(150,777)	(78,513)	(416,674)	(214,964)
Total cost of revenues	(442,017)	(231,709)	(1,171,417)	(705,991)
Revenues less liquidity rebates, brokerage, clearance and exchange fees	209,944	171,150	600,689	504,345
Operating Expenses				
Compensation and benefits	51,971	47,560	145,948	144,446
Marketing and advertising	4,146	3,487	13,247	12,338
Depreciation and amortization	9,662	14,312	29,296	60,332
Professional and contract services	6,433	6,764	23,466	22,993
Computer operations and data communications	6,642	9,488	22,754	29,704
Provision for bad debts	162	(2,152)	2,292	(260)
Occupancy	8,219	9,492	26,059	25,677
Regulatory	7,668		21,504	
General, administrative and other	31,193	5,773	51,975	37,328
Total direct expenses	126,096	94,724	336,541	332,558
Support costs from related parties, net		8,567		25,789
Total operating expenses	126,096	103,291	336,541	358,347
Operating income	83,848	67,859	264,148	145,998
Interest income	9,527	7,566	22,846	18,319
Interest expense	(23,434)	(25,655)	(70,488)	(66,504)
Gain on foreign currency option contracts	35,257		25,748	
Dividend income			14,540	9,223
Gain on sale of strategic initiative	431,383		431,383	

Strategic initiative costs			(26,511)	
Minority interest		134	96	587
Income before income taxes	536,581	49,904	661,762	107,623
Income tax provision	171,588	19,678	222,324	42,765
Net income	$ 364,993	$ 30,226	$ 439,438	$ 64,858
Net income applicable to common stockholders:				
Net income	$ 364,993	$ 30,226	$ 439,438	$ 64,858
Preferred stock:				
Dividends declared				(359)
Accretion of preferred stock				(331)
Net income applicable to common stockholders	$ 364,993	$ 30,226	$ 439,438	$ 64,168

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	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Basic and diluted earnings per share:				
Basic	$ 3.23	$ 0.27	$ 3.90	$ 0.63
Diluted	$ 2.41	$ 0.22	$ 2.94	$ 0.51

See accompanying notes to condensed consolidated financial statements.

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The Nasdaq Stock Market, Inc.

Condensed Consolidated Balance Sheets

(in thousands, except share and par value amounts)

	September 30, 2007 (Unaudited)	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 1,258,662	$ 321,995
Available-for-sale investments, at fair value	9,201	1,628,209
Receivables, net	274,144	233,266
Deferred tax assets	104,729	11,098
Other current assets	64,194	117,978
Total current assets	1,710,930	2,312,546
Property and equipment, net	62,010	65,269
Non-current deferred tax assets	58,049	96,986
Goodwill	975,740	1,028,746
Intangible assets, net	186,511	199,619
Other assets	6,778	13,286
Total assets	$ 3,000,018	$ 3,716,452
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 127,530	$ 110,649
Section 31 fees payable to SEC	19,715	60,104
Accrued personnel costs	47,127	55,565
Deferred revenue	93,779	56,447
Income tax payable	160,789	44,065
Other accrued liabilities	75,658	28,031
Deferred tax liabilities	232	94,993
Current portion of debt obligations		10,681
Total current liabilities	524,830	460,535
Debt obligations	443,088	1,492,947
Non-current deferred tax liabilities	91,059	115,791
Non-current deferred revenue	93,776	90,644
Other liabilities	66,548	99,084
Total liabilities	1,219,301	2,259,001
Minority interest		96
Stockholders equity		
Common stock, $0.01 par value, 300,000,000 shares authorized, shares issued: 130,713,703 at September 30, 2007 and 130,708,873 at December 31, 2006; shares outstanding: 113,503,469 at September 30, 2007 and 112,317,987 at December 31, 2006	1,307	1,307
Preferred stock, 30,000,000 shares authorized, none issued or outstanding		
Additional paid-in capital	1,063,836	1,046,599

Common stock in treasury, at cost: 17,210,234 shares at September 30, 2007 and 18,390,886 shares at December 31, 2006	(225,169)	(239,752)
Accumulated other comprehensive income	(10,692)	136,204
Retained earnings	951,435	512,997
Total stockholders equity	1,780,717	1,457,355
Total liabilities, minority interest and stockholders equity	$ 3,000,018	$ 3,716,452

See accompanying notes to condensed consolidated financial statements.

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The Nasdaq Stock Market, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)

	Nine Months Ended September 30, 2007	2006
Reconciliation of net income to cash provided by operating activities		
Net income	$ 439,438	$ 64,858
Non-cash items included in net income:		
Depreciation and amortization	29,296	60,332
Share-based compensation	11,880	7,521
Income tax benefit related to share-based compensation	(9,392)	(20,207)
Provision for bad debts	2,292	(260)
Loss on the early extinguishment and refinancing of debt obligations	5,836	20,884
Gain on foreign currency option contracts	(25,748)	
Deferred taxes, net	(20,053)	(3,297)
Loss on the write-down of assets held-for-sale		5,925
Clearing contract charge	10,620	
Strategic initiative costs	26,511	
Gain on sale of strategic initiative	(431,383)	
Other non-cash items included in net income	(2,304)	1,207
Net change in operating assets and liabilities, net of effects of acquisitions:		
Receivables, net	(58,374)	6,366
Other assets	22,710	(12,114)
Accounts payable and accrued expenses	(16,639)	(11,831)
Section 31 fees payable to SEC	(40,389)	13,877
Accrued personnel costs	(8,439)	(13,467)
Deferred revenue	40,148	35,632
Income tax payable	145,876	22,539
Other accrued liabilities	33,014	(20,225)
Payables to related parties		(8,727)
Other liabilities	(37,910)	(2,345)
Cash provided by operating activities	116,990	146,668
Cash flows from investing activities		
Proceeds from sales and redemptions of available-for-sale investments	1,859,430	453,195
Proceeds from maturities of available-for-sale investments	47,910	38,750
Purchases of available-for-sale investments	(80,400)	(1,650,966)
Purchases of foreign currency option contracts	(12,988)	
Settlement of foreign currency option contracts	67,937	
Acquisitions of businesses, net of cash and cash equivalents acquired	(8,000)	(53,959)
Purchases of property and equipment	(13,677)	(12,260)
Other	348	30,541
Cash provided by (used in) investing activities	1,860,560	(1,194,699)
Cash flows from financing activities		
Payments of debt obligations	(1,060,823)	(1,436,509)
Proceeds from debt obligations		1,850,000
Net proceeds from equity offerings		972,719

Issuances of common stock, net of treasury stock purchases	10,548	21,981
Series C Cumulative preferred stock redemptions and dividends		(105,059)
Income tax benefit related to share-based compensation	9,392	20,207
Cash (used in) provided by financing activities	(1,040,883)	1,323,339
Increase in cash and cash equivalents	936,667	275,308

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	Nine Months Ended September 30, 2007	2006
Cash and cash equivalents at beginning of period	321,995	165,237
Cash and cash equivalents at end of period	$ 1,258,662	$ 440,545
Supplemental Disclosure Cash Flow Information		
Cash paid for:		
Interest	$ 72,168	$ 26,373
Income taxes, net of refund	$ 97,253	$ 19,724

See accompanying notes to condensed consolidated financial statements.

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The Nasdaq Stock Market, Inc.

Notes to Condensed Consolidated Financial Statements

1. Organization and Basis of Presentation

Organization

Nasdaq is a holding company that operates the Exchange as its wholly-owned subsidiary. Nasdaq became a holding company on August 1, 2006 when the Exchange commenced operations as a national securities exchange for Nasdaq-listed securities. The Exchange commenced operations as a national securities exchange for non-Nasdaq-listed securities on February 12, 2007.

Prior to December 20, 2006, we were a subsidiary of the Financial Industry Regulatory Authority, or FINRA, which was formerly known as National Association of Securities Dealers, Inc., or NASD. FINRA maintained voting control over us through its ownership of one outstanding share of our Series D preferred stock and FINRA consolidated our financial position and results of operations in its consolidated financial statements. In connection with the process of our becoming fully operational as a registered national securities exchange, we redeemed for $1.00 the one share of Series D preferred stock previously held by FINRA on December 20, 2006. FINRA achieved full divestiture of ownership of our common stock with the sale of all of its remaining shares of our common stock in July 2006.

Basis of Presentation

Our unaudited condensed consolidated financial statements include the consolidated accounts of The Nasdaq Stock Market, Inc. and its wholly-owned subsidiaries. We are responsible for the unaudited condensed consolidated financial statements included in this document. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation, have been reflected. Revenues, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be representative of those for the full year. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2006.

We have condensed or omitted footnotes or other financial information that is normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, but is not required for interim reports. Certain reclassifications have been made to prior year amounts to conform to the current year s presentation.

Recent Accounting Pronouncement

We adopted the provisions of Financial Accounting Standards Board, or FASB, Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109, or FIN 48, on January 1, 2007. As a result of the implementation of FIN 48, we recognized a $1.0 million increase to reserves for uncertain tax positions. This increase was accounted for as an adjustment to the beginning balance of retained earnings in the condensed consolidated balance sheet. For further discussion, see Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Income Taxes .

2. Goodwill and Purchased Intangible Assets

Purchase Acquisition

On July 2, 2007, we acquired Directors Desk LLC, a privately held, Washington-based firm which provides technology to boards of public and private companies in the U.S. and abroad for $8.0 million in cash. Directors Desk is part of our Issuer Services Segment.

The following table presents a summary of the Directors Desk acquisition:

Purchase Consideration	Total Net (Liabilities) Acquired	Purchased Intangible Assets	Goodwill

	(in thousands)		
$8,000	$(162)	$1,660	$6,502

The condensed consolidated financial statements include the operating results from the date of acquisition.

The following table presents the details of the purchased intangible assets acquired in the Directors Desk acquisition:

Technology		Customer Relationships		Total
Estimated Useful Life (in Years)	Amount	Estimated Useful Life (in Years)	Amount	Amount
(in thousands, except years)				
4.5	$750	20	$910	$1,660

Goodwill

The following table presents the changes in goodwill by business segment during the nine months ended September 30, 2007:

	Market Services	Issuer Services	Total
	(in thousands)		
Balance at December 31, 2006	$ 964,985	$ 63,761	$ 1,028,746
Goodwill acquired		6,502	6,502
Purchase accounting adjustments	(58,792)	(716)	(59,508)
Balance at September 30, 2007	$ 906,193	$ 69,547	$ 975,740

The purchase accounting adjustments for Market Services primarily relate to the release of a valuation allowance against goodwill. Due to the capital gain on the sale of the share capital of the London Stock Exchange Group plc, or LSE, Nasdaq is now able to utilize capital loss carryforwards which were previously reserved for through a valuation allowance. See Note 4, Investments, for further discussion of the sale of the share capital of the LSE. As we previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2006, we acquired operating and capital loss carryforwards and recorded a deferred tax asset on the 2005 sale of Instinet s Institutional Brokerage division. In connection with the INET acquisition, this division was sold to an affiliate of Silver Lake Partners, or SLP. We initially believed that it was more likely than not that we would not realize a deferred tax asset with respect to the capital loss carryforwards, and therefore established a valuation allowance through goodwill. However, as a result of the capital gain generated on the sale of the share capital of the LSE, we are now able to utilize the capital loss carryforwards and therefore, released the valuation allowance that we recorded at the time of the INET acquisition, which resulted in a decrease to goodwill in accordance with Statement of Financial Accounting Standards, or SFAS, No. 109 Accounting for Income Taxes, or SFAS 109.

The purchase accounting adjustments for Issuer Services primarily relate to the Shareholder.com acquisition. The goodwill acquired for Issuer Services relates to the acquisition of Directors Desk.

Purchased Intangible Assets

The following table presents details of our total purchased intangible assets, both finite and indefinite lived:

	September 30, 2007			December 31, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets
	(in thousands)					
Technology	$ 29,409	$ (20,017)	$ 9,392	$ 28,659	$ (18,108)	$ 10,551
Customer relationships	206,410	(32,955)	173,455	205,500	(20,972)	184,528

Other[1]	5,640	(1,976)	3,664	5,640	(1,100)	4,540
Total	$ 241,459	$ (54,948)	$ 186,511	$ 239,799	$ (40,180)	$ 199,619

(1) Includes a $2.4 million trade name which we determined to have an indefinite estimated useful life.

Amortization expense for purchased intangible assets was $5.0 million for the three months ended September 30, 2007 and $14.8 million for the nine months ended September 30, 2007 compared to $7.8 million for the three months ended September 30, 2006 and $26.2 million for the nine months ended September 30, 2006. The decrease in amortization expense in 2007 is primarily due to a change in the estimated useful life of technology assets in December 2005 as a result of our acquisition of INET and migration to a single trading platform. These assets were fully amortized in the third quarter of 2006.

The estimated amortization expense of purchased intangible assets, assuming no change in depreciable life, as of September 30, 2007 is as follows:

	(in thousands)
2007	$ 4,899
2008	19,595
2009	19,553
2010	19,263
2011	17,030
2012 and thereafter	103,771
Total	$ 184,111

3. Cost Reduction Program and INET Integration

Charges associated with our cost reduction program ceased during the second quarter of 2007 and charges associated with our integration of INET ceased during the first quarter of 2007. We incurred charges of approximately $4.1 million in the first nine months ended September 30, 2007 in connection with actions we took to improve our operational efficiency as well as to integrate INET. We incurred similar charges of approximately $4.8 million in the third quarter of 2006 and $36.3 million in the nine months ended September 30, 2006. The following table summarizes these charges which are included in the Condensed Consolidated Statements of Income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in millions)		(in millions)	
Real estate consolidation	$	$ 0.5	$	$ 5.9
Reductions in force		0.9	2.5	5.2
Technology migration		3.4	1.6	25.2
Total cost reduction charges	$	$ 4.8	$ 4.1	$ 36.3

Real Estate Consolidation

In connection with our review of our owned and leased real estate which began in 2003, we have consolidated staff into fewer locations and have saved significant costs. As part of our real estate consolidation plans, in the second quarter of 2006, we decided to sell our building and related assets located at 80 Merritt Boulevard, Trumbull, Connecticut. As a result of this decision, the carrying value of the building and related assets was adjusted to $30.8 million, its fair market value less costs to sell, which was determined based on a quoted market price from an independent third party. This resulted in a $5.4 million charge recorded in the second quarter of 2006. In July 2006, we completed the sale of this building and related assets for approximately $30.3 million and an additional $0.5 million charge was recorded in the third quarter of 2006 for a total charge of $5.9 million for the nine months ended September 30, 2006. These charges are included in general, administrative and other expense in the Condensed Consolidated Statements of Income. There were no charges related to real estate consolidation in 2007.

Reductions in Force

We eliminated 35 positions in the nine months ended September 30, 2007 and 74 positions in the nine months ended September 30, 2006 and recorded charges of $2.5 million in the nine months ended September 30, 2007 and $5.2 million in the nine months ended September 30, 2006 for severance and outplacement costs. We eliminated 10 positions in the third quarter of 2006 and recorded a charge of $0.9 million for similar costs. These charges were included in compensation and benefits expense in the Condensed Consolidated Statements of Income. We paid approximately $1.0 million during the third quarter of 2007 and $1.3 million during the third quarter of 2006 and $3.8 million during the nine months ended September 30, 2007 and $2.1 million during the nine months ended September 30, 2006 for these severance and outplacement costs. We expect to pay the remainder of the severance and outplacement costs relating to these reductions in force totaling $1.2 million through the second quarter of 2008.

Technology Migration

As a result of a continued review of our technology infrastructure, we previously shortened in 2005 the estimated useful life of certain assets and changed the lease terms on certain operating leases associated with our quoting platform and

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our trading and quoting network, which resulted in incremental depreciation and amortization expense. The INET integration, which is now complete, accelerated our migration to a low-cost trading platform. As a result, the charges associated with these assets were $1.6 million in the nine months ended September 30, 2007 and the majority of the charges were included in depreciation and amortization expense in the Condensed Consolidated Statements of Income. The charges associated with these assets for the third quarter of 2006 were $3.4 million and $25.2 million in the nine months ended September 30, 2006 and the majority of these charges were also included in depreciation and amortization expense in the Condensed Consolidated Statements of Income.

4. Investments

The following tables summarize investments classified as available-for-sale that are carried at fair market value in the Condensed Consolidated Balance Sheets:

September 30, 2007	Cost	Gross Unrealized Gains	Estimated Fair Market Value
		(in thousands)	
U.S. treasury securities and obligations of U.S. government agencies	$ 4,000	$ 1	$ 4,001
Corporate bonds	5,200		5,200
Total available-for-sale debt securities	$ 9,200	$ 1	$ 9,201

December 31, 2006	Cost	Gross Unrealized Gains (Losses)	Estimated Fair Market Value
		(in thousands)	
U.S. treasury securities and obligations of U.S. government agencies	$ 17,700	$ (73)	$ 17,627
Corporate bonds	27,819	(58)	27,761
Other securities	6,391	(6)	6,385
Total available-for-sale debt securities	51,910	(137)	51,773
Investment in the LSE	1,334,846	241,590(1)	1,576,436
Total	$ 1,386,756	$ 241,453	$ 1,628,209

(1) Amount includes foreign currency gains.

At September 30, 2007 and December 31, 2006, all available-for-sale debt securities are due within one year.

Investment in the LSE

On September 25, 2007, Nasdaq, through its wholly-owned subsidiary Nightingale Acquisition Limited, or NAL, sold 28.0% of the share capital of the LSE to Borse Dubai for $1,590.7 million in cash. Nasdaq sold the remaining substantial balance of its holdings in the LSE in open market transactions for approximately $193.5 million in cash on September 26, 2007 for total proceeds of $1,784.2 million. As a result of the sale, Nasdaq recognized a $431.4 million pre-tax gain which is net of $18.0 million of costs directly related to the sale, primarily broker fees.

On September 28, 2007, Nasdaq used approximately $1,055.5 million of the proceeds from the above transactions to repay in full and terminate our Credit Facilities. See Note 6, Debt Obligations, for further discussion.

At December 31, 2006, Nasdaq s ownership investment in the LSE was accounted for in accordance with SFAS No. 115 Accounting for Certain Investments in Debt and Equity Securities, or SFAS 115, and we included our LSE shares in available-for-sale investments, at fair value in the Condensed Consolidated Balance Sheets. Unrealized gains and losses, including foreign currency gains/losses, were included in accumulated other comprehensive income in the Condensed Consolidated Balance Sheets until the sale of the shares in September 2007.

In accordance with FIN 35, Criteria for Applying the Equity Method of Accounting for Investments in Common Stock an interpretation of APB Opinion 18, or FIN 35, and APB Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock, or APB 18, an investment (direct or indirect) of 20%, such as ours in the LSE, would generally lead to a presumption that an investor has the ability to exercise significant influence over an investee, requiring the investment to be accounted for under the equity method of accounting. We concluded that we were not able to exercise significant influence over the operational and financial policies of the LSE pursuant to paragraph 4d of FIN 35. The equity method of accounting for our investment in the LSE would have required the LSE to routinely provide us with certain non-public information and information not available to its other shareholders, in order to convert LSE s results to U.S. GAAP and prepare a full purchase price allocation as required under APB 18. This information was not available to us. Therefore, we concluded that we did not exert significant influence over the LSE pursuant to APB 18.

Nasdaq considered our investment in the LSE to be a current asset since the common stock of the LSE is listed on its own exchange and its fair value was readily determinable in accordance with paragraph 3B of SFAS 115. Nasdaq had the ability and option to sell this investment in the ordinary course of business either in whole or in part. The ability to sell this investment represented a liquid portion of our capital which would constitute a margin for meeting obligations within the ordinary operating cycle of the business as stated in the definition of working capital in Chapter 3A of ARB 43, Restatement and Revision of Accounting Research Bulletins . In addition, since the investment could be sold making the cash available for current operations, Nasdaq believed this investment also met the definition of a current asset as defined in Chapter 3A of ARB 43.

As of March 31, 2007, we incurred costs of approximately $24.9 million in connection with our strategic initiatives related to the LSE, including our acquisition bid. These costs, including legal and advisory fees, were included in other current assets in the Consolidated Balance Sheet at December 31, 2006. In conjunction with the lapse of our final offers for the LSE in February 2007, these costs were charged to expense during the first quarter of 2007. During the second quarter of 2007, we incurred similar costs of $1.6 million for a total charge of $26.5 million as of June 30, 2007 which is included in strategic initiative costs in the Condensed Consolidated Statements of Income. We did not incur any additional costs in the third quarter of 2007.

5. Deferred Revenue

Our deferred revenue at September 30, 2007 is primarily related to Corporate Client Group fees and will be recognized in the following years:

	Initial Listing Fees	Listing of Additional Shares	Annual and Other	Total
	(in thousands)			
Fiscal year ended:				
2007	$ 5,539	$ 10,078	$ 36,526	$ 52,143
2008	20,212	32,904	310	53,426
2009	16,873	22,079		38,952
2010	13,120	12,508		25,628
2011 and thereafter	14,525	2,881		17,406
	$ 70,269	$ 80,450	$ 36,836	$ 187,555

Our deferred revenue for the nine months ended September 30, 2007 and 2006 is reflected in the following tables. The additions primarily reflect Corporate Client Group revenues from listing fees charged during the period while the amortization primarily reflects Corporate Client Group revenues from listing fees recognized during the respective period.

	Initial Listing Fees	Listing of Additional Shares	Annual and Other	Total
	(in thousands)			
Balance at January 1, 2007	$ 71,054	$ 73,829	$ 2,208	$ 147,091
Additions	15,689	36,819	146,987	199,495

Amortization	(16,474)	(30,198)	(112,359)	(159,031)
Balance at September 30, 2007	$ 70,269	$ 80,450	$ 36,836	$ 187,555
Balance at January 1, 2006	$ 69,678	$ 74,766	$ 1,168	$ 145,612
Additions	17,306	35,185	126,131	178,622
Amortization	(17,878)	(27,463)	(95,781)	(141,122)
Balance at September 30, 2006	$ 69,106	$ 82,488	$ 31,518	$ 183,112

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6. Debt Obligations

The following table presents the changes in our debt obligations during the nine months ended September 30, 2007:

	December 31, 2006	Payments and Accretion	September 30, 2007
		(in thousands)	
3.75% convertible notes due October 22, 2012 (net of premium and discount)	$ 442,805	$ 283	$ 443,088
$825.0 million senior credit agreement due April 18, 2012, with a letter of credit subfacility and swingline loan facility limited to $400.0 million (average interest rate of 7.11% through September 28, 2007)	726,450	(726,450)	
$434.8 million secured term loan credit agreement due April 18, 2012 (average interest rate of 7.11% through September 28, 2007)	334,373	(334,373)	
Total debt obligations	1,503,628	(1,060,540)	443,088
Less current portion	(10,681)	10,681	
Total long-term debt obligations	$ 1,492,947	$ (1,049,859)	$ 443,088

3.75% Convertible Notes

The 3.75% convertible notes include $205.0 million convertible notes issued at a discount to SLP ($141.4 million), Hellman & Friedman, or H&F, ($60.0 million), and other partners ($3.6 million) and $240.0 million convertible notes issued at a premium to H&F. The $205.0 million convertible notes are convertible into 14,137,931 shares of our common stock at a price of $14.50 per share subject to adjustment, in general, for any stock split, dividend, combination, recapitalization or similar event. SLP also was issued warrants to purchase 1,523,325 shares of our common stock and H&F was issued warrants to purchase 646,552 shares of our common stock at a price of $14.50. The warrants became exercisable on April 22, 2006 and expire on December 8, 2008, the third anniversary of the closing of the INET acquisition. The $240.0 million convertible notes also are convertible into 16,551,724 shares of our common stock at a price of $14.50 per share subject to adjustment, in general, for stock splits, dividends, combinations, recapitalizations or similar events. H&F also was issued additional warrants to purchase 2,753,448 shares of our common stock at a price of $14.50 per share. These warrants also became exercisable on April 22, 2006 and expire on December 8, 2008, the third anniversary of the closing of the INET acquisition.

On an as-converted basis at September 30, 2007, H&F owned an approximate 17.9% equity interest in us as a result of its ownership of the $240.0 million convertible notes, $60.0 million of the $205.0 million convertible notes, 3,400,000 shares underlying warrants and 500,000 shares of common stock purchased from us in a separate transaction. On an as-converted basis at September 30, 2007, SLP owned an approximate 9.0% equity interest in us as a result of its ownership of $141.4 million of the $205.0 million convertible notes and 1,523,325 shares underlying warrants.

At September 30, 2007, we were in compliance with the covenants under our 3.75% convertible notes.

On November 8, 2007, we announced that H&F sold 23,545,368 shares of our common stock in a public offering. The shares sold consisted of shares issued through the conversion of the 3.75% convertible notes issued to H&F, the cashless exercise of the warrants issued to H&F, as well as shares held outright by H&F. Nasdaq will not receive any of the proceeds from the offering. See Secondary Offering of Nasdaq Common Stock, of Note 16, Subsequent Events, for further discussion.

Credit Facilities

On September 28, 2007, Nasdaq used $1,055.5 million of the proceeds from its sale of the share capital of the LSE to repay in full and terminate the $825.0 million senior credit agreement and the $434.8 million secured term loan credit agreement, or the Credit Facilities. See Note 4, Investments, for further discussion of the sale of the share capital of the LSE. In connection with the early extinguishment of the Credit Facilities, we recorded a pre-tax charge of $5.8 million for the loss on early extinguishment of debt, which is included in general, administrative and other expense in the Condensed Consolidated Statements of Income.

Under the Credit Facilities, we were required to make quarterly principal amortization payments. During the nine months ended September 30, 2007, we paid approximately $3.6 million on the $825.0 million senior credit agreement and approximately $1.7 million on the $434.8 million term loan credit agreement. We were permitted to prepay borrowings under the Credit Facilities at any time in whole or in part, subject to our remaining in compliance with our debt covenants and our obligation to pay additional fees in certain circumstances. We were required to make mandatory prepayments upon the receipt of net proceeds in the case of a sale, transfer or other disposition of an asset or other events as described in the Credit Facilities. Beginning in 2007, we also were required to use a percentage of our prior year s excess cash flow to prepay loans outstanding under the Credit Facilities. The percentage of cash flow we were required to use for prepayments varied depending on our leverage ratio at the end of the year for which cash flow is calculated, with the maximum prepayment percentage set at 50.0%. No prepayment was required during the first nine months of 2007 based on our optional net prepayment in November 2006 and our excess cash flow. However, due to the sale of the share capital of the LSE, Nasdaq was required to pay the Credit Facilities in full with the proceeds from the sale.

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New Credit Facilities

In connection with the proposed acquisition of OMX shares from Borse Dubai, or the Acquisition, Nasdaq has received a debt commitment letter dated as of November 6, 2007. See Note 14, Proposed Transactions with Borse Dubai and OMX, for further discussion of the transactions with Borse Dubai and the financing of the Acquisition.

7. Employee Benefits

We maintain a non-contributory defined-benefit pension plan, or Pension Plan, a Supplemental Executive Retirement Plan, or SERP, for eligible senior executives and other benefit plans for eligible employees. For information on our Pension Plan, SERP and post-retirement plan actuarial assumptions, see Nasdaq s Annual Report on Form 10-K for the year ended December 31, 2006.

In the first quarter of 2007, we announced that our Pension Plan and SERP were frozen effective May 1, 2007. Future service and salary for all participants will not count toward an accrual of benefits under the Pension Plan and SERP after April 30, 2007. All of the other features of the Pension Plan and SERP remain unchanged. As a result of the Pension Plan and SERP freeze, a curtailment gain of approximately $6.5 million was recognized in compensation and benefits expense in the Condensed Consolidated Statements of Income in the first quarter of 2007. This amount was an estimate of the remaining unrecognized prior service cost at May 1, 2007. During the second quarter of 2007, the estimate was updated and an additional SERP curtailment loss of $0.4 million was recognized in compensation and benefits expense in the Condensed Consolidated Statements of Income. The cumulative curtailment gain for the nine months ended September 30, 2007 is approximately $6.1 million.

We also added a new profit-sharing contribution feature to our 401(k) plan. Eligible employees will receive employer retirement contributions, or ERCs, when we meet our annual corporate financial goals. In addition, we adopted a supplemental ERC for select highly compensated employees whose ERCs are limited by the annual Internal Revenue Service compensation limit. The ERC and supplemental ERC began on July 1, 2007.

The following table sets forth the components of net periodic pension, SERP and post-retirement benefits cost recognized in compensation and benefits expense in the Condensed Consolidated Statements of Income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in thousands)		(in thousands)	
Components of net periodic benefit cost				
Service cost	$ 4	$ 1,904	$ 2,298	$ 5,050
Interest cost	826	1,081	2,675	2,991
Expected return on plan assets	(706)	(684)	(2,096)	(2,122)
Amortization of unrecognized transition asset	(9)	(14)	(28)	(43)
Recognized net actuarial loss	12	460	535	1,083
Prior service cost recognized	4	(129)	(196)	(399)
Settlement loss (gain) recognized	750	(17)	750	331
Curtailment gain			(6,028)	
Benefit cost (gain)	$ 881	$ 2,601	$ (2,090)	$ 6,891

We previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2006 that we expected to contribute $3.3 million to our Pension Plan in 2007 to meet our quarterly contribution requirements. In order to maintain a 90.0% funded current liability percentage as of January 1, 2007, we contributed an additional $3.1 million to our Pension Plan for a total of $6.4 million as of September 30, 2007.

8. Share-Based Compensation

We have a share-based compensation program that provides our Board of Directors broad discretion in creating employee equity incentives. Stock option and restricted stock grants are designed to reward employees for their long-term contributions to us and provide incentives for them to remain with us. Our share-based compensation program includes restricted stock awards and stock options. Restricted stock awards are generally time-based and vest over two to five-year periods beginning on the date of the grant. Stock options are also generally time-based. Stock option awards granted prior to January 1, 2005 generally vest 33% on each annual anniversary of the grant date over three years and expire ten years from the grant date. Stock option awards granted after January 1, 2005 generally vest 25% on each anniversary of the grant date over four years and also expire ten years from the grant date. In 2004 we granted Performance Accelerated Stock Options, or

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PASOs, for officers and a select group of non-officer employees. These PASOs included a performance based accelerated vesting feature based on us achieving specific levels of performance. Since we achieved the specific levels of performance for accelerated vesting, 50.0% of the PASO awards will vest on January 15, 2008 and the remaining 50.0% will vest on January 15, 2009.

In December 2006, we granted non-qualified stock options and restricted stock awards to all active employees which also includes a performance based accelerated vesting feature based on us achieving specific levels of performance. If we achieve the applicable performance parameters, 50.0% of such grant will vest on the fourth anniversary of the grant date. If we exceed the applicable performance parameters, 50.0% of the award will vest on the third anniversary of the grant date, or will be extended to vest on the fifth anniversary of the grant date if applicable performance parameters are not met. The remaining 50.0% of such grant shall vest on the fifth anniversary of the grant date, subject to accelerated vesting of the award on the fourth anniversary of the grant date, or extended vesting on the sixth anniversary of the grant date, based upon achievement of the applicable performance parameters. Options issued under this grant also expire ten years from the grant date.

Additionally, our Employee Stock Purchase Plan, or ESPP, allows eligible employees to purchase a limited number of shares of our common stock at six-month intervals, called offering periods, at 85.0% of the lower of the fair market value on the first or the last day of each offering period. The 15.0% discount given to our employees is included in compensation and benefits expense in the Condensed Consolidated Statements of Income.

Shares issued as a result of stock option exercises, restricted stock awards and our ESPP are generally first issued out of common stock in treasury. As of September 30, 2007, we had approximately 6.9 million shares of common stock reserved for future issuance under our stock option and restricted stock award plan and ESPP.

The following table shows the total share-based compensation expense resulting from stock options, restricted stock awards and the 15.0% discount for the ESPP for the three and nine months ended September 30, 2007 and 2006 in the Condensed Consolidated Statements of Income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in thousands)			
Share-based compensation expense before income taxes	$ 4,316	$ 2,077	$ 11,880	$ 7,521
Income tax benefit	(1,707)	(815)	(4,699)	(2,950)
Total share-based compensation expense after income taxes	$ 2,609	$ 1,262	$ 7,181	$ 4,571

We received net cash proceeds of $4.9 million from the exercise of approximately 0.5 million stock options for the three months ended September 30, 2007 and received net cash proceeds of $10.2 million from the exercise of approximately 1.1 million stock options for the nine months ended September 30, 2007. We received net cash proceeds of $1.9 million from the exercise of approximately 0.2 million stock options for the three months ended September 30, 2006 and received net cash proceeds of $23.8 million from the exercise of approximately 2.0 million stock options for the nine months ended September 30, 2006. In accordance with SFAS No. 123 (revised 2004), Share-Based Payment, or SFAS 123(R), we present excess tax benefits from the exercise of stock options, if any, as financing cash flows.

We estimated the fair value of share-based awards using the Black-Scholes valuation model with the following weighted-average assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Expected life (in years)	5	5	5	5
Weighted-average risk free interest rate	4.73%	4.87%	4.61%	4.60%
Expected volatility	35.0%	35.0%	35.0%	33.3%
Dividend yield				
Weighted-average fair value at grant date	$ 12.32	$ 10.68	$ 12.15	$ 12.89

Our computation of expected life is based on historical exercise patterns. The interest rate for periods within the expected life of the award is based on the U.S. Treasury yield curve in effect at the time of grant. Our computation of expected volatility is based on a combination of historical and market-based implied volatility. Our former Credit Facilities prohibited us from paying dividends. Before our former Credit Facilities had been in place, it was not our policy to declare or pay cash dividends on our common stock. We expect our future credit facilities to prohibit us from paying dividends. See Note 14, Proposed Transactions with Borse Dubai and OMX, for further discussion of future credit facilities.

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A summary of stock option activity for the nine months ended September 30, 2007 is as follows:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2007	11,643,975	$ 14.24	7.5	$ 205,875
Grants	49,328	31.38		
Exercises	(1,056,363)	9.63		
Forfeitures or expirations	(536,025)	17.77		
Outstanding at September 30, 2007	10,100,915	$ 14.62	7.1	$ 233,453
Exercisable at September 30, 2007	4,640,792	$ 8.73	6.1	$ 134,437

The aggregate intrinsic value in the above table represents the total pre-tax intrinsic value (i.e., the difference between our closing stock price on September 30, 2007 of $37.68 and the exercise price, times the number of shares) based on stock options with an exercise price less than Nasdaq s closing price of $37.68 as of September 30, 2007, which would have been received by the option holders had the option holders exercised their stock options at that date. This amount changes based on the fair market value of our common stock. The total number of in-the-money stock options exercisable as of September 30, 2007 was 4.6 million. As of September 30, 2006, 4.7 million outstanding stock options were exercisable and the weighted-average exercise price was $8.67.

Total fair value of stock options vested was $0.8 million for the three months ended September 30, 2007 and $5.4 million for the nine months ended September 30, 2007. The total pre-tax intrinsic value of stock options exercised was $12.7 million for the three months ended September 30, 2007, $24.2 million for the nine months ended September 30, 2007, $4.1 million for the three months ended September 30, 2006 and $36.8 million for the nine months ended September 30, 2006.

At September 30, 2007, $18.8 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 2.0 years.

The following table summarizes our restricted stock award activity for the nine months ended September 30, 2007:

	Restricted Stock Awards	Weighted-Average Grant Date Fair Value
Unvested awards at January 1, 2007	800,290	$ 29.35
Granted	187,157	32.85
Vested	(104,838)	13.28
Forfeited	(111,232)	29.37
Unvested awards at September 30, 2007	771,377	$ 32.38

At September 30, 2007, $18.7 million of total unrecognized compensation cost related to restricted stock awards is expected to be recognized over a weighted-average period of 2.1 years.

Under our ESPP employees may purchase shares having a value not exceeding 10.0% of their annual compensation, subject to applicable annual Internal Revenue Service limitations. As of June 30, 2007 employees purchased 61,281 shares at a price of $25.28 and as of June 30, 2006 employees purchased 48,799 shares at a price of $24.02. The next purchase will be at the end of December 2007. We recorded $0.1 million for the three months ended September 30, 2007 and $0.4 million for the nine months ended September 30, 2007 of compensation expense for the 15.0% discount that is given to our employees. We recorded $0.1 million for the three months ended September 30, 2006 and $0.3 million for the nine months ended September 30, 2006 of compensation expense for the 15.0% discount that is given to our employees.

9. Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per share:

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	Three Months Ended September 30, 2007		Three Months Ended September 30, 2006		Nine Months Ended September 30, 2007		Nine Months Ended September 30, 2006	
	(in thousands, except share and per share amounts)							
Numerator:								
Net income applicable to common stockholders:								
Net income	$	364,993	$	30,226	$	439,438	$	64,858
Preferred stock:								
Dividends declared								(359)
Accretion of preferred stock								(331)
Net income applicable to common stockholders for basic earnings per share		364,993		30,226		439,438		64,168
Interest impact of convertible notes, net of tax		2,522		2,535		7,566		7,606
Net income applicable to common stockholders for diluted earnings per share	$	367,515	$	32,761	$	447,004	$	71,774
Denominator:								
Weighted-average common shares outstanding for basic earnings per share		113,175,320		111,725,750		112,788,486		101,687,006
Weighted-average effect of dilutive securities:								
Employee stock options and awards		5,628,332		5,993,233		5,707,727		6,447,776
Convertible notes assumed converted into common stock		30,689,655		30,689,655		30,689,655		30,689,655
Warrants		2,758,443		2,426,847		2,716,821		2,900,205
Denominator for diluted earnings per share		152,251,750		150,835,485		151,902,689		141,724,642
Basic and diluted earnings per share:								
Basic	$	3.23	$	0.27	$	3.90	$	0.63
Diluted	$	2.41	$	0.22	$	2.94	$	0.51

Options to purchase 10,100,915 shares of common stock, 771,377 shares of restricted stock, convertible notes convertible into 30,689,655 shares of common stock and warrants exercisable into 4,962,500 shares of common stock were outstanding at September 30, 2007. For the three months ended September 30, 2007, we included 7,683,109 of the options outstanding, 771,228 shares of restricted stock, all of the shares underlying the convertible notes and all of the shares underlying the warrants in the computation of diluted earnings per share, on a weighted-average basis, as their inclusion was dilutive. The remaining options and shares of restricted stock were considered antidilutive and were properly excluded. For the nine months ended September 30, 2007, we included 7,683,109 of the options outstanding, 766,044 shares of restricted stock, all of the shares underlying the convertible notes and all of the shares underlying the warrants in the computation of diluted earnings per share, on a weighted-average basis, as their inclusion was dilutive. The remaining options and shares of restricted stock were considered antidilutive and were properly excluded.

Options to purchase 10,328,195 shares of common stock, 366,010 shares of restricted stock, convertible notes convertible into 30,689,655 shares of common stock and warrants exercisable into 4,962,500 shares of common stock were outstanding at September 30, 2006. For the three months ended September 30, 2006, we included 9,682,545 of the options outstanding, 336,010 shares of restricted stock, all of the shares underlying the convertible notes and all of the shares underlying the warrants in the computation of diluted earnings per share, on a weighted-average basis, as their inclusion was dilutive. The remaining options and shares of restricted stock were considered antidilutive and were properly excluded. For the nine months ended September 30, 2006, we included 9,699,145 of the options outstanding, 361,010 shares of restricted stock, all of the shares underlying the convertible notes and all of the shares underlying the warrants in the computation of diluted earnings per share, on a weighted-average basis, as their inclusion was dilutive. The remaining options and shares of restricted stock were considered antidilutive and were properly excluded.

On November 8, 2007, we announced that H&F sold 23,545,368 shares of our common stock in a public offering. The shares sold consisted of shares issued through the conversion of the 3.75% convertible notes issued to H&F, the cashless exercise of the warrants issued to H&F, as well as shares held outright by H&F. Nasdaq will not receive any of the proceeds from the offering. See Secondary Offering of Nasdaq Common Stock, of Note 16, Subsequent Events, for further discussion.

10. Fair Value of Financial Instruments

Assets and Liabilities

The majority of our assets and liabilities are recorded at fair value or at amounts that approximate fair value. These assets and liabilities include cash and cash equivalents, investments, receivables, net, certain other assets, accounts payable and accrued expenses, Section 31 fees payable to SEC, accrued personnel costs and other current payables. The carrying amounts reported in the Condensed Consolidated Balance Sheets for the above financial instruments closely approximate their fair values due to the short-term nature of these assets and liabilities, except for our available-for-sale investments. The carrying amounts of our available-for-sale investments were determined based on quoted market prices when available, or if quoted market prices were not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the investment. See Note 4, Investments, for further discussion.

We also consider our debt obligations to be financial instruments. The fair value of our debt obligations was estimated using discounted cash flow analyses based on our assumed incremental borrowing rates for similar types of borrowing arrangements and a Black-Scholes valuation technique was utilized to calculate the convertible option value for the convertible notes. At September 30, 2007, the carrying value of our debt obligations was approximately $834.7 million less than fair value due to the stock appreciation on the convertible option feature from $14.50 at time of issuance to $37.68 at September 30, 2007. At December 31, 2006, the carrying value of our debt obligations was approximately $593.0 million less than fair value due to the stock appreciation on the convertible option feature from $14.50 at time of issuance to $30.79 at December 31, 2006. See Note 6, Debt Obligations, for further discussion.

Foreign Currency Contracts

Foreign currency forward contracts and foreign currency option contracts are financial instruments with carrying values that approximate fair value. Forward contracts are commitments to buy or sell at a future date a financial instrument, commodity or currency at a contracted price and may be settled in cash or through delivery. Foreign currency option contracts give the purchaser, for a fee, the right but not the obligation, to buy or sell within a limited time. The fair value of the foreign currency forward contracts is based on the estimated amount at which they could be settled based on market exchange rates. The fair value of the foreign currency option contracts is obtained from dealer quotes and represents the estimated amount we would receive or pay to terminate the agreements. Therefore, estimates presented below are not necessarily indicative of the amounts that we could realize in a current market exchange.

In order to economically hedge the foreign currency exposure on the proposed acquisition of OMX shares, we purchased a foreign currency option contract in May 2007, or the May 2007 Contract, at the time of the announcement of the proposed combination. In accordance with SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities, a derivative used to hedge exposure related to an anticipated business combination does not qualify for specialized hedge accounting, and as such, must be marked to market through the income statement each reporting period. In July 2007, we sold the May 2007 Contract for $20.1 million and also purchased a new contract for $20.1 million, or the July 2007 Contract. We recorded a $7.1 million realized gain on the sale of the May 2007 Contract in the third quarter of 2007. In the third quarter of 2007, we also sold a portion of the July 2007 Contract and recorded a realized loss of $1.4 million. The cumulative pre-tax realized gain on both the May 2007 Contract and the July 2007 Contract is approximately $5.7 million for both the third quarter of 2007 and for the nine months ended September 30, 2007. The fair value of the remaining July 2007 Contract at September 30, 2007 was $42.5 million. The unrealized gain was $29.5 million for the quarter ended September 30, 2007 and was $27.8 million for the nine months ended September 30, 2007. For additional discussion of the proposed acquisition of OMX shares, see Note 14, Proposed Transactions with Borse Dubai and OMX.

On October 1, 2007, we sold the remaining portion of the July 2007 Contract for $39.0 million and purchased a new contract for $39.0 million for our proposed transactions with Borse Dubai and OMX. We recorded a $24.3 million realized gain on the sale of the July 2007 Contract in the fourth quarter of 2007. As of October 1, 2007, the cumulative realized pre-tax gain on the above OMX contracts is approximately $30.0 million.

In order to economically hedge the foreign currency exposure on our acquisition bid for the LSE, we also purchased foreign currency option contracts at the time of the commencement of the bid which was the fourth quarter of 2006. The fair value of these contracts at December 31, 2006 was $71.7 million and the unrealized gain for the quarter ended December 31, 2006 was $48.4 million. In conjunction with the lapse of our final offers for LSE, we traded out of these foreign exchange contracts in February 2007. Due to the improving exchange rate of the dollar when compared to the pound sterling, we recorded a loss of approximately $7.8 million on these foreign currency option contracts in first quarter 2007 results. The cumulative realized pre-tax gain on the foreign currency option contracts was approximately $40.6 million. These contracts were cash settled for $63.9 million.

11. Comprehensive Income

Comprehensive income is composed of net income and other comprehensive income, which includes the after-tax change in unrealized gains and losses on available-for-sale investments, foreign currency translation adjustments and employee benefit adjustments. The changes in the components of comprehensive income are as follows:

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	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
	(in thousands)			
Net income	$ 364,993	$ 30,226	$ 439,438	$ 64,858
Other comprehensive income:				
Change in unrealized gains and losses on available-for-sale investments, net of tax[(1)]	(201,200)	103,052	(146,743)	72,437
Change in foreign currency translation adjustments[(2)]	2	4	(153)	21
Total	$ 163,795	$ 133,282	$ 292,542	$ 137,316

(1) The 2007 amounts include the reversal of the unrealized gain related to our investment in the LSE, net of tax, as we sold this investment in September 2007. The 2006 amounts include the unrealized gain related to our investment in the LSE, net of tax, which includes foreign currency gains. See Note 4, Investments, for further discussion.

(2) The nine months ended September 30, 2007 amount includes a $0.2 million foreign currency gain realized upon the liquidation of Brut Europe Limited. Both the 2007 and 2006 amounts include after-tax gains and losses on foreign currency translation from operations for which the functional currency is other than the U.S. dollar.

12. Commitments, Contingencies and Guarantee

Proposed Transactions with Borse Dubai and OMX

On September 20, 2007, Nasdaq, Borse Dubai and OMX entered into definitive documents related to various transactions, or collectively, the Transactions. Pursuant to the Transactions, Borse Dubai will conduct an offer for all of the outstanding shares of OMX, or the Borse Dubai Offer, and, once complete, will sell the OMX shares acquired in the Borse Dubai Offer or otherwise owned by Borse Dubai to Nasdaq in exchange for (i) SEK 11.4 billion in cash ($1.7 billion) and (ii) 60.6 million shares of Nasdaq common stock. At the close of the Transactions, Borse Dubai will directly hold approximately 42.6 million shares of Nasdaq common stock (representing 19.99% of our fully diluted outstanding share capital) and approximately 18.0 million shares will be held in a trust, or the Trust, for Borse Dubai s economic benefit until disposed of by the Trust.

On September 26, 2007, Borse Dubai announced that it raised its cash offer to SEK 265 for each share in OMX. As a result, Nasdaq agreed to increase the cash component of its agreement with Borse Dubai by SEK 1,206 million (approximately $185 million) to up to SEK 12.6 billion (approximately $1.9 billion), corresponding to SEK 10 per OMX share, of the total increase of SEK 35 per OMX share. As of September 26, 2007, the total consideration proposed to be paid by Nasdaq is equivalent to $4.2 billion. No other material provisions of the definitive documents were changed.

Nasdaq expects the Acquisition to close during the first quarter of 2008.

In addition, as part of the Transactions, we, Borse Dubai and Dubai International Financial Exchange, or DIFX, have entered into an agreement, which provides that in exchange for $50 million in cash to DIFX and the entry into certain technology and trademark licensing agreements, we will acquire 33 1/3% of the equity of DIFX. We will also be responsible for 50% of any additional capital contribution calls made by DIFX, subject to a maximum aggregate additional commitment by Nasdaq of up to $25 million. Closing of this transaction is conditioned upon the concurrent closing of the Transactions.

Escrow Agreements

In connection with our acquisitions of Directors Desk in 2007, PrimeNewswire and Shareholder.com in 2006 and Carpenter Moore in 2005, we entered into escrow agreements for the designation of funds to secure the payment of post-closing adjustments and other closing conditions. For the nine months ended September 30, 2007, Nasdaq paid $4.0 million for Shareholder.com and $1.5 million for Carpenter Moore from the escrow accounts for the settlement of closing conditions related to the acquisitions. In addition, Nasdaq paid $6.5 million in the third quarter of 2007 for the purchase of Directors Desk, which was held in escrow at June 30, 2007, and $1.5 million remains in the escrow account. At September 30, 2007, these escrow agreements provide for future payments of $4.8 million in 2007, $4.2 million in 2008 and $0.5 million in 2009.

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Nasdaq Execution Services, LLC Agreements

Nasdaq Execution Services contracted with SunGard Financial Systems Inc., a subsidiary of SunGard, for SunGard Financial to provide Nasdaq Execution Services on-line processing, report services and related services in connection with Nasdaq Execution Services clearance of trades. The term of this agreement was five years and began in September 2004 and was automatically renewed at yearly intervals thereafter until terminated by Nasdaq Execution Services or SunGard Financial. The annual service fee was $10.0 million in the first year, declining to $8.0 million in the second year and $6.0 million in the third year of the agreement. The annual service fee was subject to price review in years four and five based on market rates, but would not be less than $4.0 million per year. Some additional fees may be assessed based on services needed or requested.

Our single platform includes the functionality which was previously provided by SunGard Financial enabling us to cease using the product which resulted in a charge to earnings of approximately $10.6 million in the first nine months of 2007. This charge is included in general, administrative and other expense in the Condensed Consolidated Statements of Income.

Brokerage Activities

In accordance with FASB Interpretation 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, Nasdaq Execution Services provides guarantees to securities clearinghouses and exchanges under their standard membership agreements, which require members to guarantee the performance of other members. If a member becomes unable to satisfy its obligations to the clearinghouses, other members would be required to meet its shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral as well as meet certain minimum financial standards. Nasdaq Execution Services maximum potential liability under these arrangements cannot be quantified. However, we believe that the potential for Nasdaq Execution Services to be required to make payments under these arrangements is unlikely. Accordingly, no contingent liability is recorded in the Condensed Consolidated Balance Sheets for these arrangements.

Obligations Under Guarantee

In connection with our registration as a national securities exchange, Nasdaq completed an internal reorganization in November 2006. As part of the reorganization, Nasdaq transferred the ownership of some of its subsidiaries, including its broker-dealer subsidiaries, to the Exchange. The Exchange assumed Nasdaq s obligations under the 3.75% convertible notes due October 22, 2012 and the related indenture. Nasdaq has guaranteed the obligations of the Exchange under the indenture. The reorganization did not have a material effect on our consolidated financial position or results of operations.

On November 8, 2007, we announced that H&F sold 23,545,368 shares of our common stock in a public offering. The shares sold consisted of shares issued through the conversion of the 3.75% convertible notes issued to H&F, the cashless exercise of the warrants issued to H&F, as well as shares held outright by H&F. Nasdaq will not receive any of the proceeds from the offering. See Secondary Offering of Nasdaq Common Stock, of Note 16, Subsequent Events, for further discussion.

Tax Benefit

As of September 30, 2007, a current tax asset related to the 2005 sale of Instinet s Institutional Brokerage division, related to acquired operating and capital loss carryforwards, was $96.8 million. We and SLP have an agreement to share the tax benefit on the sale of the Institutional Brokerage division. Since the tax benefit increased in the third quarter of 2007, we are required to pay SLP an additional $19.5 million. As such, we recorded a $19.5 million charge in general, administrative and other expense in the Condensed Consolidated Statements of Income. Of the $96.8 million tax benefit, $47.3 million will be paid to SLP. We have recorded a liability for SLP s estimated share of the tax benefit in other accrued liabilities in the Condensed Consolidated Balance Sheets at the present value of the expected payments. We expect to pay SLP $47.3 million in the fourth quarter of 2007.

Leases

We lease some of our office space and equipment under non-cancelable operating leases with third parties and sublease office space to third parties. Some of our leases contain renewal options and escalation clauses based on increases in property taxes and building operating costs.

Litigation

We may be subject to claims arising out of the conduct of our business. We are not currently a party to any litigation that we believe could have a material adverse effect on our business, financial condition, or operating results. However, from time to time, we have been threatened with, or named as a defendant in, lawsuits or involved in regulatory proceedings.

In connection with our acquisition of INET, certain shareholders of Instinet have filed an appraisal litigation claim against Instinet. We have filed an answer challenging petitioners claims. The ultimate outcome of this action and its impact on Nasdaq is uncertain and cannot be estimated at this time. However, any potential judgment will be recorded to goodwill in accordance with SFAS No. 142, Goodwill and Other Intangible Assets .

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13. Segments

We manage, operate and provide our products and services in two business segments, our Market Services segment and our Issuer Services segment. The Market Services segment includes our transaction-based business (The Nasdaq Market Center) and our market information services business (Nasdaq Market Services Subscriptions), which are interrelated because the transaction-based business generates the quote and trade information that we sell to market participants and data vendors. The Issuer Services segment includes our securities listings business, insurance business, shareholder, directors and newswire services (Corporate Client Group) and our financial products business (Nasdaq Financial Products). The companies listed on The Nasdaq Stock Market represent a diverse array of industries. This diversity of Nasdaq-listed companies allows us to develop industry-specific and other Nasdaq indexes that we use to develop and license financial products and associated derivatives. Because of these interrelationships, our management allocates resources, assesses performance and manages these businesses as two separate segments.

We evaluate the performance of our segments based on several factors, of which the primary financial measure is pre-tax income. Results of individual businesses are presented based on our management accounting practices and our management structure. Certain charges are allocated to corporate items in our management reports based on the decision that those activities should not be used to evaluate the segment s operating performance, including our investment and sale of the share capital of the LSE and our foreign currency option contracts purchased in order to hedge foreign currency exposure on our acquisition bids for OMX and LSE. See Note 4, Investments and Note 10, Fair Value of Financial Instruments, for further discussion.

The following table presents certain information regarding these operating segments for the three and nine months ended September 30, 2007 and 2006.

	Market Services	Issuer Services	Corporate Items and Eliminations	Consolidated
	(in thousands)			
Three months ended September 30, 2007				
Revenues	$ 578,668	$ 73,229	$ 64	$ 651,961
Cost of revenues	(442,017)			(442,017)
Revenues less liquidity rebates, brokerage, clearance and exchange fees	136,651	73,229	64	209,944
Income before income taxes	$ 80,725	$ 23,611	$ 432,245 (1)	$ 536,581

	Market Services	Issuer Services	Corporate Items and Eliminations	Consolidated
	(in thousands)			
Three months ended September 30, 2006				
Revenues	$ 343,037	$ 59,742	$ 80	$ 402,859
Cost of revenues	(231,709)			(231,709)
Revenues less liquidity rebates, brokerage, clearance and exchange fees	111,328	59,742	80	171,150
Income (loss) before income taxes	$ 45,799	$ 12,570	$ (8,465) (2)	$ 49,904

	Market Services	Issuer Services	Corporate Items	Consolidated

			and Eliminations	
			(in thousands)	
Nine months ended September 30, 2007				
Revenues	$ 1,561,550	$ 210,321	$ 235	$ 1,772,106
Cost of revenues	(1,171,417)			(1,171,417)
Revenues less liquidity rebates, brokerage, clearance and exchange fees	390,133	210,321	235	600,689
Income before income taxes	$ 206,787	$ 60,882	$ 394,093(1)	$ 661,762

	Market Services	Issuer Services	Corporate Items and Eliminations	Consolidated
			(in thousands)	
Nine months ended September 30, 2006				
Revenues	$ 1,027,925	$ 182,000	$ 411	$ 1,210,336
Cost of revenues	(705,991)			(705,991)

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	Market Services	Issuer Services	Corporate Items and Eliminations	Consolidated
			(in thousands)	
Revenues less liquidity rebates, brokerage, clearance and exchange fees	321,934	182,000	411	504,345
Income (loss) before income taxes	$ 87,831	$ 39,771	$ (19,979)[(2)]	$ 107,623

(1) The 2007 amounts primarily include:
- gain from the sale of our share capital of the LSE of $431.4 million for the three and nine months ended September 30, 2007;
- gain on foreign currency option contract of $35.2 million for the three months ended September 30, 2007 and $33.5 million for nine months ended September 30, 2007, which was purchased to hedge the foreign exchange exposure in connection with our acquisition bid for OMX. For the nine months ended September 30, 2007, we incurred a $7.8 million loss on foreign currency option contracts which we entered into to hedge the foreign exchange exposure on the acquisition bid for the LSE;
- charges of $19.5 million for a tax sharing payment owed to SLP and $5.8 million for the loss on the early extinguishment of debt related to the payment in full of our Credit Facilities for both the three and nine months ended September 30, 2007;
- dividend income of $14.5 million for the nine months ended September 30, 2007 related to our investment in the LSE;
- strategic initiative costs of $26.5 million for the nine months ended September 30, 2007 incurred in connection with acquiring our current investment in the LSE and our acquisition bid; and
- interest expense of $9.1 million for the three months ended September 30, 2007 and $27.4 million for the nine months ended September 30, 2007 related to our investment in the LSE.

(2) The 2006 amounts primarily include:
- foreign currency gain of $8.2 million for the nine months ended September 30, 2006 related to our investment in the LSE;
- dividend income of $9.2 million for the nine months ended September 30, 2006 related to our investment in the LSE;
- loss on early extinguishment of debt of $21.0 million for the nine months ended September 30, 2006 related to the financing of the purchase of our investment in the LSE; and
- interest expense of $8.4 million for the three months ended September 30, 2006 and $15.6 million for the nine months ended September 30, 2006 related to our investment in the LSE.

Total assets decreased $716.4 million or 19.3% at September 30, 2007 as compared with December 31, 2006. This decrease is primarily due to a decrease in available-for-sale investments of $1.6 billion primarily due to the sale of our share capital of the LSE, partially offset by an increase in cash of $936.7 million. Total proceeds received by the sale were approximately $1.8 billion and Nasdaq used approximately $1.1 billion of the proceeds to pay in full and terminate the Credit Facilities.

14. Proposed Transactions with Borse Dubai and OMX

On May 25, 2007, Nasdaq and OMX announced that they had entered into a transaction agreement to combine the two companies by way of a public offer, or the Nasdaq OMX Transaction Agreement. The proposed combination of Nasdaq and OMX was recommended by both Boards of Directors and was to be effected through a cash and share tender offer, or the Offer, by Nasdaq for all of the outstanding shares in OMX. The consideration offered was equivalent to 0.502 issued shares of Nasdaq common stock plus SEK 94.3 in cash for each outstanding OMX share. Assuming full acceptance of the Offer, approximately 60.6 million Nasdaq shares were to be issued pursuant to the Offer and the total cash consideration amount payable by Nasdaq to OMX shareholders was to be approximately $1.7 billion (SEK 11.4 billion). The total Offer was equivalent to $3.7 billion (SEK 25.1 billion).

On August 9, 2007, Borse Dubai announced that it had acquired 4.9% of the outstanding OMX shares at a price of SEK 230 per share and had entered into agreements to purchase another 22.4% of OMX s share capital at an exercise price of SEK 230 per share. On August 17, 2007, Borse Dubai, through a wholly-owned Swedish subsidiary, announced a public offer to acquire all OMX shares for SEK 230 in cash per OMX share.

On September 20, 2007, Nasdaq, Borse Dubai and OMX entered into definitive documents which contemplates various Transactions. Pursuant to the Transactions, Borse Dubai will conduct an offer for all of the outstanding shares of OMX, or the Borse Dubai Offer, and, once complete, will sell the OMX shares acquired in the Borse Dubai Offer or otherwise owned by Borse Dubai to Nasdaq in exchange for (i) up to SEK 11.4 billion in cash ($1.7 billion) and (ii) 60.6 million shares of Nasdaq common stock. At the close of the Transactions, Borse Dubai will directly hold approximately 42.6 million shares of Nasdaq common stock (representing 19.99% of our fully diluted outstanding share capital) and approximately 18.0 million shares will be held in the Trust for Borse Dubai s economic benefit until disposed of by the Trust.

On September 26, 2007, Borse Dubai announced that it raised its cash offer to SEK 265 for each share in OMX. As a result, Nasdaq agreed to increase the cash component of its agreement with Borse Dubai by SEK 1,206 million (approximately $185 million) to SEK 12.6 billion (approximately $1.9 billion), corresponding to SEK 10 per OMX share, of the total increase of SEK 35 per OMX share. As of September 26, 2007, the total consideration proposed to be paid by Nasdaq is equivalent to $4.2 billion. No other material provisions of the definitive documents were changed.

Pursuant to our agreement with Borse Dubai, the Borse Dubai Offer will not be opened for acceptances until a number of conditions are met, including the receipt of regulatory approvals and the approval of Nasdaq shareholders of the issuance of 60.6 million shares of Nasdaq common stock in connection with the Transactions. We and Borse Dubai are working together to satisfy these conditions and to enable us to acquire OMX through the Transactions. However, if these conditions cannot be met, we and Borse Dubai generally have the right to pursue separate offers for OMX which, in our case, means we could continue our previously announced cash and stock offer for OMX. We have agreed with Borse Dubai not to open the Offer for acceptances unless the conditions to the Transactions cannot be met.

We currently estimate that approximately 28% of the fully diluted shares of Nasdaq common stock outstanding after completion of the Transactions will be held by Borse Dubai and the Trust, and that approximately 72% of the shares of Nasdaq common stock outstanding after completion of the Transactions will be held by current Nasdaq shareholders. As required by our certificate of incorporation, Borse Dubai s voting rights in respect of the Nasdaq common stock it holds will be limited to a maximum of 5% of our fully diluted outstanding share capital.

Nasdaq expects the Acquisition to close during the first quarter of 2008.

In addition, as part of the Transactions, we, Borse Dubai and DIFX have entered into an agreement, which provides that in exchange for $50 million of cash consideration to DIFX and the entry into certain technology and trademark licensing agreements, we will acquire 33 1/3% of the equity of DIFX. We will also be responsible for 50% of any additional capital contribution calls made by DIFX, subject to a maximum aggregate additional commitment by Nasdaq of up to $25 million. These investments are in addition to the maximum SEK 12.6 billion in cash we may pay Borse Dubai for OMX Shares pursuant to the Transactions. Closing of this transaction is conditioned upon the concurrent closing of the Transactions.

Financing of the Acquisition

To finance the Acquisition, Nasdaq has received a debt commitment letter, dated as of November 6, 2007, or the Commitment Letter, from Bank of America, N.A., Banc of America Securities LLC, J.P. Morgan Securities Inc. and JPMorgan Chase Bank, N.A., or collectively, the Banks, including a summary of terms and conditions, or the Commitment Letter. In accordance with the Commitment Letter, we anticipate that we will enter into the following credit agreements, or collectively, the New Credit Facility, on or before April 15, 2008:

Credit Agreement among Nasdaq, as Borrower, the financial institutions that are or may from time to time become parties thereto as Lenders, Bank of America, N.A., as Administrative Agent, Collateral Agent, Swingline Lender and Issuing Bank, Banc of America Securities LLC and J.P. Morgan Securities Inc., as Joint Lead Arrangers and Joint Bookrunners, and JPMorgan Chase Bank N.A., as Syndication Agent; and

Term Loan Credit Agreement, among Nasdaq, as Borrower, the financial institutions that are or may from time to time become parties thereto as Lenders, Bank of America, N.A., as Administrative Agent, Collateral Agent, Swingline Lender and Issuing Bank, Banc of America Securities LLC and J.P. Morgan Securities Inc., as Joint Lead Arrangers and Joint Bookrunners, and JPMorgan Chase Bank N.A., as Syndication Agent.

If the Acquisition is to be effected by means of the Transactions, the closing of the New Credit Facility will be subject to the closing conditions set forth in the Commitment Letter, including (i) the satisfaction of the conditions to the consummation of the Borse Dubai Offer set forth in the related definitive documents, (ii) there being no amendments or modifications to the Nasdaq OMX Transaction Agreement or the definitive documents relating to the Borse Dubai Offer that are materially adverse to the Lenders without the consent of the Joint Lead Arrangers, and

(iii) the payment of required fees and expenses and the negotiation, execution and delivery of definitive documentation.

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The New Credit Facility is expected to provide for credit of up to approximately $2.2 billion of debt financing to be used: (i) to purchase the OMX Shares, (ii) to pay fees and expenses incurred in connection with the Transactions, and the entering into and funding of the New Credit Facility and related transactions thereto, (iii) to repay certain indebtedness of OMX and (iv) to provide ongoing working capital and for other general corporate purposes of Nasdaq and its subsidiaries, and represents an increase over the previously assumed amount of total borrowings based on the increased purchase price for OMX and the $50 million investment in DIFX, but does not include any working capital. The New Credit Facility is expected to include:

- a five-year $75.0 million secured revolving credit facility, or the Revolving Credit Facility, with a letter of credit subfacility and swingline loan subfacility under the Credit Agreement;
- a five-year $750.0 million secured term loan facility under the Credit Agreement; and
- a five-year $1.375 billion secured term loan facility under the Term Loan Credit Agreement.

The interest rate on loans made under New Credit Facility is expected to be at Nasdaq s option, either:

- the higher of:
  - the federal funds effective rate plus 1/2 of 1%; and
  - the prime rate of Bank of America, N.A.,

plus (i) 0.75%, or (ii), solely with respect to the Revolving Credit Facility, 0.75% for the first three months after the closing date with respect to the New Credit Facility, and thereafter, a percentage per annum to be determined in accordance with a performance pricing grid to be agreed, or

- the rate per annum equal to the British Bankers Association LIBOR Rate, BBA, *plus* (i) 1.75%, or (ii) solely with respect to the Revolving Credit Facility, 1.75% for the first three months after the closing date with respect to the New Credit Facility, and thereafter, a percentage per annum to be determined in accordance with a performance pricing grid to be agreed.

The obligations under the New Credit Facility will be guaranteed by each of the existing and future direct and indirect material wholly-owned domestic subsidiaries of Nasdaq, subject to exceptions to be agreed upon. The obligations of Nasdaq and the guarantors under the New Credit Facility will be secured, subject to certain exceptions, by all the capital stock of each of their present and future subsidiaries (limited, in the case of foreign subsidiaries, to 65% of the voting stock of such subsidiaries) and all of the present and future property and assets (real and personal) of Nasdaq and the guarantors. If the collateral (other than capital stock of domestic subsidiaries that is required to be pledged and assets over which a lien may be perfected by filing a financing statement under the uniform commercial code) is not provided on the closing date despite use of commercially reasonable efforts to do so, the delivery of the collateral will not be a condition precedent to the availability of the New Credit Facility on the closing date, but instead will be delivered following the closing date.

The New Credit Facility is expected to contain customary negative covenants applicable to Nasdaq and its subsidiaries, including the following:

- limitations on the payment of dividends and redemptions of Nasdaq s capital stock;
- limitations on changes in Nasdaq s business;

- limitations on amendment of subordinated debt agreements;
- limitations on prepayments, redemptions and repurchases of debt;
- limitations on liens and sale-leaseback transactions;
- limitations on mergers, recapitalizations, acquisitions and asset sales;
- limitations on transactions with affiliates;
- limitations on restrictions on liens and other restrictive agreements; and
- limitations on loans, guarantees, investments, incurrence of debt and hedging arrangements, subject to certain exceptions.

The New Credit Facility is expected to permit Nasdaq to obtain a letter of credit or bank guaranty in an aggregate amount sufficient to pay the minority shareholders of OMX in accordance with the applicable compulsory acquisition procedures under the Swedish Companies Act, and to use term loans under the Term Loan Credit Agreement to repay any draws under such letter of credit or guaranty or to cash-collateralize such letter of credit or guaranty prior to any draw thereunder.

The New Credit Facility is also expected to contain:

- customary affirmative covenants, including access to financial statements, notice of trigger events and defaults, maintenance of properties and insurance;
- an affirmative covenant requiring Nasdaq to use commercially reasonable efforts to refinance OMX s outstanding third-party debt as soon as practicable after the initial funding thereunder;

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customary events of default, including cross-defaults to material indebtedness; and

maximum total leverage ratio and interest coverage ratio maintenance covenants.

Nasdaq expects to be permitted to repay borrowings under the New Credit Facility at any time in whole or in part. Following the end of each fiscal year, commencing with the end of the first full fiscal year following the closing date with respect to the New Credit Facility, Nasdaq also expects to be required to use a percentage of its excess cash flow, as defined in the Credit Agreement and the Term Loan Credit Agreement and calculated with respect to the prior fiscal year, to repay loans outstanding under the Credit Agreement and the Term Loan Credit Agreement. Nasdaq anticipates that the percentage of excess cash flow Nasdaq will be required to use for repayments will vary depending on Nasdaq s leverage ratio at the end of the year for which excess cash flow is calculated, with the maximum repayment percentage set at 50.0% of excess cash flow.

The Commitment Letter provides that if definitive, signed bank finance documentation is not negotiated and signed by the earlier of the closing date with respect to the Borse Dubai Offer and April 15, 2008, Nasdaq and the Banks will execute and deliver an interim loan agreement in the form annexed to the Commitment Letter and provide credit facilities in an aggregate amount of $2.2 billion thereunder on substantially the same terms as set forth above, other than that such interim loan will not include a revolving credit facility.

15. Condensed Consolidating Financial Statement Schedules

These condensed consolidating financial statement schedules are presented for purposes of additional analysis but should be considered in relation to the condensed consolidated financial statements of Nasdaq taken as a whole and assumes operation of the Exchange since January 1, 2006 on a pro forma basis. As a result of our internal reorganization as discussed in Note 12, Commitments, Contingencies and Guarantee, we have prepared these condensed consolidating financial statement schedules to show on a pro forma basis the operations of the Exchange as if the Exchange was in existence since January 1, 2006. For purposes of these pro forma financial statements, we deemed any acquisitions to be funded by Nasdaq Parent Company.

Nasdaq Parent Company

The holding company, The Nasdaq Stock Market, Inc.

The NASDAQ Stock Market LLC (Exchange)

Nasdaq has issued a full and unconditional guaranty under the 3.75% convertible notes due October 22, 2012 and the related Indenture.

All Other Nasdaq Subsidiaries

Includes all other subsidiaries of Nasdaq.

Eliminations and Consolidating Adjustments

Includes intercompany eliminations and parent company eliminations of investment in subsidiaries.

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Condensed Consolidating Balance Sheet:	Nasdaq Parent Company	The NASDAQ Stock Market LLC (Exchange)	All Other Nasdaq Subsidiaries	Eliminations and Consolidating Adjustments	Nasdaq Consolidated
			(in thousands)		
At September 30, 2007:					
Assets					
Current assets:					