NASDAQ STOCK MARKET INC

FORM 10-K
(Annual Report)

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Address	ONE LIBERTY PLAZA
	NEW YORK, New York 10006
Telephone	212-858-4750
CIK	0001120193
Industry	Investment Services
Sector	Financial
Fiscal Year	12/31

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 ☒ 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 ☒

As of June 30, 2006, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $3,229,975,397 (this amount represents 108,025,933 shares of Nasdaq's common stock based on the last reported sales price of $29.90 of the common stock on The Nasdaq Stock Market on such date).

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 February 21, 2007
Common Stock, $.01 par value per share	112,440,990 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Proxy Statement for the 2007 Annual Meeting of Stockholders	Part III

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About This Form 10-K

Unless otherwise noted, in this Form 10-K, 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 Form 10-K 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 Form 10-K for initial public offerings, or IPOs, of companies in the United States 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 Form 10-K for secondary offerings is also based on data provided by Thomson Financial. Data in this Form 10-K 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. IPOs, secondary offerings and new listings data is presented as of period end. Data in this Form 10-K for trading activity by average daily share volume of the QQQ is provided by FactSet Research Systems, Inc. and Bloomberg L.P. 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 "Item 1A. Risk Factors" in this Form 10-K.

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 Annual Report on Form 10-K 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 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;*
- *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 under the caption "Item 1A. Risk Factors," in this Form 10-K. 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-K, including "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and the 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.

Part I

Item 1. Business.

Nasdaq Overview

The Nasdaq Stock Market, Inc. is a holding company that operates The NASDAQ Stock Market LLC as its wholly-owned subsidiary. Nasdaq became a holding company on August 1, 2006 when The Nasdaq Stock Market commenced operations as a registered national securities exchange for Nasdaq-listed securities.

We, through our subsidiaries, are a leading provider of securities listing, trading, and information products and services. Our revenue sources are diverse and include revenues from transaction services, market data

products and services, listing fees, insurance products, shareholder and newswire services and financial products. The Nasdaq Stock Market is the largest electronic equity securities market in the United States, both in terms of number of listed companies and traded share volume. As of December 31, 2006, The Nasdaq Stock Market was home to approximately 3,193 listed companies with a combined market capitalization of over $4.1 trillion. We also operate, through the exchange subsidiary, The Nasdaq Market Center, which provides our market participants with the ability to access, process, display and integrate orders and quotes in The Nasdaq Stock Market and other national securities exchanges. Transactions involving 580.9 billion equity securities were executed on or reported to our systems in 2006, 59.9% higher than the 363.3 billion in 2005.

We manage, operate and provide our products and services in two business segments, our Market Services segment and Issuer Services segment.

Market Services . Our Market Services segment includes our transaction-based business and our market information services business. The Nasdaq Market Center is our transaction-based platform that provides our market participants with the ability to access, process, display and integrate orders and quotes, enabling our customers to execute trades in over 7,700 equity securities (including Exchange Traded Funds, or ETFs) during 2006. The Nasdaq Market Center allows us to route and execute buy and sell orders as well as report transactions for Nasdaq-listed securities and those securities listed on other national securities exchanges, providing fee-based revenues. We also generate revenues by providing varying levels of quote and trade information to market participants and data vendors, who in turn sell subscriptions for this information to the public. Our systems enable vendors to gain direct access to our detailed order data, index information, mutual fund pricing information, and corporate action information on Nasdaq-listed securities.

For the year ended December 31, 2006, Market Services revenues were $1,408.3 million, which represented 84.9% of Nasdaq's total revenues. Market Services gross margin (total revenues less cost of revenues) was $437.9 million, which represented 63.7% of total gross margin. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements.

Issuer Services . Our Issuer Services segment includes our securities listings business, insurance business, shareholder and newswire services and our financial products business. The companies listed on The Nasdaq Stock Market represent a diverse array of industries including information technology, financial services, healthcare, consumer products and industrials. We also develop and license financial products and associated derivatives based on Nasdaq indexes. These include the QQQ, which is an ETF based on the Nasdaq-100 Index. In 2006, the QQQ was one of the most actively traded ETFs in the world and the most actively traded listed security in the United States. We have also introduced financial products based on other Nasdaq indexes, including the Nasdaq Composite Index and the Nasdaq Biotechnology Index. In addition, we generate revenues by licensing and listing third-party structured products and third-party sponsored ETFs.

For the year ended December 31, 2006, Issuer Services accounted for revenues of $249.0 million, which represented 15.1% of our total revenues and 36.3% of our gross margin. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements.

LSE Investment. We, through our wholly-owned subsidiary Nightingale Acquisition Limited, or NAL, hold an investment in the London Stock Exchange Group plc, or the LSE, totaling approximately 28.8% of the issued ordinary share capital of the LSE. We acquired these shares from LSE shareholders in a series of purchases beginning in April 2006.

In March 9, 2006, we submitted a non-binding indication of interest to acquire the LSE which was rejected by the board of LSE. In November 2006, we announced the terms of final offers to acquire all of the ordinary share capital of LSE not already owned by NAL at a price of 1,243 pence per share and all of the B share capital of LSE at a price of 200 pence (plus accrued dividend) per share. These final offers lapsed on February 10, 2007.

We continue to explore and evaluate strategic opportunities in the global markets to build on our existing position as the largest electronic equities exchange in the United States. We have a highly disciplined approach to acquisitions and will only consummate transactions to the extent they deliver clear and visible benefits for our shareholders, and enable us to allocate benefits to market participants. See "—Acquisition Strategy" and "Risk factors—Futures acquisitions, partnerships and joint ventures may require significant resources and/or result in significant unanticipated losses, costs or liabilities".

Integration of INET. We recently completed the integration of Nasdaq's legacy execution system and the Brut and INET execution systems onto a single platform. In October 2006, we migrated all trading in Nasdaq-listed securities to the INET platform, and all non-Nasdaq-listed securities trading on the Brut platform to INET's platform in November 2006. The final aspect of our system integration—the transfer of non-Nasdaq-listed securities from Nasdaq's legacy execution system to the INET platform—was implemented in February 2007. We believe that our system integration provides the foundation for improved execution quality and speed, while maintaining key attributes of The Nasdaq Market Center, including market making functionality, attributed quotes, and the Opening, Closing, Halt and IPO crosses.

Exchange Registration . We began operating as a national securities exchange for Nasdaq-listed securities on August 1, 2006 and a national securities exchange for non-Nasdaq listed securities on February 12, 2007, simultaneous with the integration of our trading systems for these securities. Exchange registration gives us our own Self Regulatory Organization, or SRO, license, allows us to operate independently of National Association of Securities Dealers, Inc., or NASD, and provides benefits to our proprietary data business and our corporate governance structure.

To facilitate our operations as a national securities exchange, we formed The Trade Reporting Facility LLC, or the TRF, a wholly-owned subsidiary. Through the TRF we continue to collect reports of trades executed by broker-dealers outside of our exchange. NASD regulates the TRF as one of its facilities. The TRF began operating on August 1, 2006 for Nasdaq-listed securities and will begin operating in March 2007 for non-Nasdaq-listed securities.

Nasdaq History and Structure

We were founded in 1971 as a wholly-owned subsidiary of NASD, which operates subject to the oversight of the U.S. Securities and Exchange Commission, or SEC. Beginning in 2000, NASD restructured and broadened our ownership through a two-phase private placement of our securities. Securities in the private placements were offered to all NASD members, as well as some investment companies and issuers listed on The Nasdaq Stock Market.

In connection with the restructuring, on November 9, 2000, we applied to the SEC for registration as a national securities exchange. The SEC approved our application on January 13, 2006, subject to the satisfaction of specified conditions. Prior to the satisfaction of the conditions to exchange registration, The Nasdaq Stock Market operated under a Delegation Plan approved by the SEC that provided a delegation of legal authority from NASD to us to operate as a stock market. Although we exercised primary responsibility for market-related functions, including market-related rulemaking and interpretations, all actions taken pursuant to authority by NASD were subject to review, ratification, or rejection by the NASD board of directors.

The Exchange began operating as a registered national securities exchange for Nasdaq-listed securities in August 2006 and as an exchange for non-Nasdaq-listed securities in February 2007, simultaneous with the integration of our trading systems for these securities. The TRF also began operating in August 2006 for Nasdaq-listed securities and will begin operating in March 2007 for non-Nasdaq-listed securities.

On December 20, 2006, we ceased to be a subsidiary of NASD. NASD maintained voting control over us through its ownership of the one outstanding share of our Series D preferred stock and NASD consolidated our

financial position and results of operations in its consolidated financial statements. In connection with the Exchange entering into a transitional regulatory services agreement with NASD and the submission to the SEC of a related filing by NASD, Nasdaq was removed as a party to the Delegation Plan and Nasdaq redeemed the share of Series D preferred stock that had been issued to NASD. The removal of Nasdaq from the Delegation Plan was the final SEC condition to the Exchange beginning to operate as an exchange for trading of non-Nasdaq-listed securities. NASD achieved full divestiture of ownership of our common stock with the sale of its remaining shares of our common stock in July 2006.

In August 2006, we adopted a holding company structure in connection with our registration as a national securities exchange that had been approved by our stockholders in 2005. Our newly formed subsidiary, The NASDAQ Stock Market LLC, holds the operations of the exchange and our exchange license. In November 2006, we completed an internal reorganization that resulted in the transfer of ownership of some of our subsidiaries, including our broker-dealer subsidiaries, to our exchange subsidiary.

With exchange registration, Nasdaq received its own SRO status through Nasdaq's exchange subsidiary separate from that of NASD. Pursuant to securities laws, an SRO is responsible for regulating its members through the adoption and enforcement of rules and regulations governing the business conduct of its members. As an SRO, the Exchange has its own rules pertaining to its members and listed companies regarding listing, membership and trading that are distinct and separate from those rules applicable to broker-dealers that are administered by NASD. Broker-dealers may choose to become members of the Exchange, in addition to their memberships with other SROs, including NASD. See "—Regulation." NASD continues to provide regulatory services to us. See "—Regulatory Contractual Relationships with NASDR."

Products and Services

We operate in two segments: Market Services and Issuer Services. Financial information about segments and geographic areas may be found in Note 20, "Segments," to our consolidated financial statements.

Market Services. Our Market Services segment includes our transaction-based business and our market information services business.

Trade Execution Services . The Nasdaq Market Center is our transaction-based platform that provides market participants with the ability to access, process, display and integrate orders and quotes in The Nasdaq Stock Market. Market participants include market makers, broker-dealers operating as Electronic Communication Networks, or ECNs, registered securities exchanges and other broker-dealers. We provide these services for Nasdaq-listed and non-Nasdaq-listed securities. Specifically, The Nasdaq Market Center:

- Provides a comprehensive display of the interest by our market participants at the highest price a participant is willing to buy a security (best bid) and also the lowest price a participant is willing to sell that security (best offer).
- Provides subscribers quotes, orders and total anonymous interest at every price level in The Nasdaq Market Center for Nasdaq-listed securities and critical data for the Opening Cross, Closing Cross, Halt Cross and IPO Cross.
- Provides anonymity to market participants, i.e., participants do not know the identity of the firm displaying the order unless that firm chooses to reveal its identity, which can contribute to improved pricing for securities by reducing the potential market impact that transactions by investors whose trading activity, if known, may influence others.

Our execution services generate revenues from:

- Transaction execution charges, which are charges assessed on a per share basis to the party that accesses the liquidity provided by another market participant. In most circumstances, we credit a portion of the

per share execution charge as a rebate (presented as cost of revenues) to the market participant that provides the liquidity (liquidity is the number and range of buy and sell orders available to our market participants). These charges represent our primary fee for execution services.

- Our share of tape fees for the trading of securities listed on the New York Stock Exchange, or NYSE, and the American Stock Exchange, or Amex.

Also, we pay fees to the SEC pursuant to Section 31 of the Securities Exchange Act of 1934, or Section 31 fees. These fees are recorded as execution and trade reporting revenues with a corresponding amount recorded as cost of revenues. The Section 31 fees are designed to recover the costs to the government of supervision and regulation of securities markets and securities professionals. We collect the fees as a pass-through charge from organizations executing eligible trades on the Exchange and recognize these amounts in cost of revenues when invoiced. Section 31 fees received are included in cash at the time of receipt and, as required by law, the amount due to the SEC is remitted semiannually and recorded as an accrued liability until paid. Since the amount recorded in revenues is equal to the amount recorded in cost of revenues, there is no impact on our gross margin or net income.

To enhance market transparency, we introduced the Opening Cross and Closing Cross in 2004 and the Halt Cross and IPO Cross in 2006. The Opening Cross is a process for pre-market open trading and price discovery consisting of a centralized order facility that provides market participants and investors with a highly transparent and accurate opening price in Nasdaq-listed securities. Similarly, the Closing Cross is a centralized order facility that provides an orderly market close for Nasdaq-listed securities. The new IPO Cross is designed to provide executions utilizing a fair and transparent process to begin secondary trading of initial public offerings based on supply and demand. The Halt Cross is designed to provide executions utilizing a fair and transparent process when we resume trading in market halted securities. A new pegged order type that allows the price of an order to be pegged to the mid-point of the National Best Bid and Offer (NBBO) was introduced in January 2007.

We also have announced plans to introduce the Nasdaq Crossing Network, a new fully-anonymous trade execution facility designed to promote the execution of large trades, during the second quarter of 2007. The Nasdaq Crossing Network will provide market participants and investors with a highly efficient and accurate single price at specific times during the trading day, resulting in the discovery of larger pools of liquidity while minimizing market impact and associated price movements.

We recently completed our integration of The Nasdaq Market Center and the Brut and INET execution systems into a single platform. Nasdaq system integration, which is based on the INET platform, is intended to provide improved execution quality and speed, while maintaining the attributes of The Nasdaq Market Center, including market making functionality, attributed quotes, and the Opening, Closing, Halt and IPO Crosses. Our system integration in Nasdaq-listed securities was completed in the fourth quarter of 2006 and the system integration in non-Nasdaq-listed securities was completed in February 2007.

We currently provide connectivity and order routing to options exchanges. In 2006, we announced plans to introduce an equity and index options market in 2007, pending approval from the SEC. Our options market will be designed to leverage our existing technology, which we acquired through the INET acquisition. In addition, we plan to leverage our current customer connectivity and market structure. We intend to design Nasdaq's options market to handle the options market transition from nickel and dime quoting increments to penny quoting increments.

Trade Reporting Services . All registered national securities exchanges and securities associations are required to establish a transaction reporting plan for the central collection of price and volume information concerning trades executed in those markets. We provide three primary revenue-generating reporting services:

- Trade reporting—Trades executed on The Nasdaq Stock Market are automatically reported by us under the appropriate transaction reporting plan. Currently, we do not charge market participants for reporting

most of these trades. We do, however, earn revenues for all of these trades in the form of shared market information revenues under the Nasdaq Unlisted Trading Privileges Plan, or the UTP Plan, for Nasdaq-listed securities, under the Consolidated Tape Plan, or CTA Plan, for NYSE-listed securities and the Consolidated Quotation Plan, or the CQ Plan, for Amex- and regional exchange-listed securities. In addition, the TRF collects trade reports as a facility of the NASD. A large percentage of these trades result from orders that broker-dealers have matched internally, or internalized, and are submitted to the TRF for reporting purposes only. The TRF does not charge market participants for locked in reporting of most trades, but it does earn shared market information revenues with respect to the trades.

- Trade comparison—The TRF also generates revenues by providing trade comparison to broker dealers by matching and locking-in the two parties to a trade that they have submitted to the TRF for reporting and clearing.
- Risk management—We provide clearing firms with risk management services to assist them in monitoring their exposure to their correspondent brokers.

Access Services to Our Trading Platform . We provide our market participants with several alternatives for accessing The Nasdaq Market Center for a fee. By shifting connectivity to The Nasdaq Market Center from proprietary networks to third-party networks, we have significantly reduced our technology and network costs and increased our systems' scalability without affecting performance or reliability.

The Nasdaq Market Center may be accessed using our Financial Information Exchange, or FIX, product that uses the FIX protocol, a standard method of financial communication between trading firms and vendors, which enables firms to leverage their existing FIX technology with cost-effective connections to us. We also have developed QIX, a proprietary programming interface that provides a more streamlined and efficient protocol for our users with expanded functionality, including quotation updates. Market participants may also access The Nasdaq Market Center using Computer-to-Computer interface, another protocol, which allows market participants to enter transactions directly from their computer systems to our computer systems. Finally, firms may use former INET protocols to access our single trading platform. As an alternative to a firm-developed trading front-end, Nasdaq provides the New Nasdaq Workstation (NNW), an internet browser based interface that allows market participants to view market data and enter orders, quotes and trade reports.

We also provide co-location services to our market participants whereby firms may lease space for equipment within our data center. We charge these participants fees for cabinet space, connectivity and support.

Market Information. We collect and provide varying levels of quote and trade information to market participants and to data vendors, who in turn sell subscriptions for this information to the public as part of our Nasdaq Market Services Subscriptions business. We collect information, distribute it and earn revenues as a member of the UTP Plan and as a distributor of our proprietary market data.

We operate as the exclusive Securities Information Processor as part of the UTP Plan for the collection and dissemination of the best bid and offer information and last transaction information from the exchanges and markets that quote and trade in Nasdaq-listed securities. We are also a participant in the UTP Plan and share in the net distribution of revenue according to the plan on the same terms as the other plan participants. In our role as the Securities Information Processor, we collect and disseminate quotation and last sale information for all transactions in Nasdaq-listed securities whether on The Nasdaq Stock Market or other exchanges. We sell this information to data vendors, which the data vendors then sell to the public. After deducting costs associated with acting as an exclusive Securities Information Processor, we distribute the tape fees to the respective UTP Plan participants, including us, based on a combination of the participants' respective annual trade volume and share volume. In addition, all Nasdaq Market Center trades in exchange-listed securities are reported and disseminated in real time, and as such, we share in the tape fees for information on NYSE- and Amex-listed securities.

As a national securities exchange, since February 2006 we no longer have to share our revenues under the UTP Plan related to information about our individual market participants' quotations. We are still required to share UTP Plan revenue related to trade reports and the best priced quotations in our market.

Our market participants have real-time access to quote and trade data. Interested parties that are not direct market participants in The Nasdaq Stock Market also can receive real-time quote and trade information beyond the best bid and offer quotes through a number of proprietary products that we offer. We use our broad distribution network of 1,436 market data vendors and market participants to deliver data regarding our market depth, index values, mutual fund valuation, order imbalances, market sentiment and other analytical data. We offer a range of proprietary data products, including TotalView, our flagship market depth quote product. TotalView shows subscribers quotes, orders and total anonymous interest at every price level in The Nasdaq Market Center for Nasdaq-listed securities and critical data for the Opening, Closing, Halt and IPO Crosses.

TotalView is offered through distributors to professional subscribers for a monthly fee per terminal and to non-professional subscribers for a lower monthly fee per terminal. We also offer a TotalView Enterprise License to facilitate broad based distribution of this data to large audiences. In 2006, our TotalView professional subscribers increased by over 60% (excluding non-paying internal users and users via the Nasdaq Workstation product). In addition, we charge the distributor a monthly distributor fee.

We operate several other proprietary services and data products to provide market information, which include:

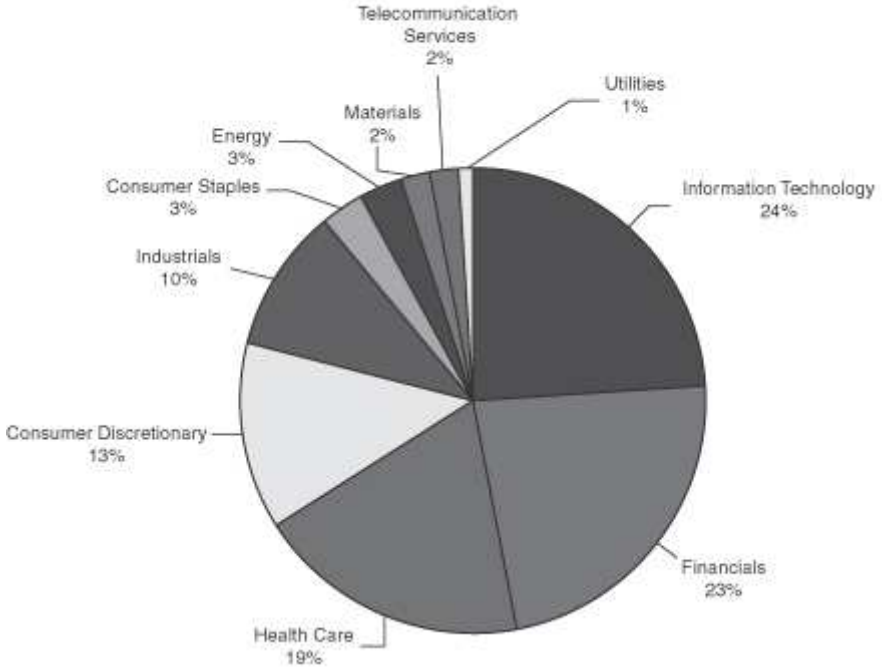
- Nasdaq Market Analytix, launched in 2006, a suite of data products including Nasdaq Market Forces and Nasdaq Velocity designed to provide market insights based on calculations performed on the data that is provided to Nasdaq's execution services;
- ModelView, launched in 2005, a product designed to provide greater insight into the patterns of liquidity in The Nasdaq Market Center;
- OpenView, launched in 2005, a product providing complete depth-of-book liquidity for The Nasdaq Market Center in NYSE- and Amex-listed securities;
- OrderView, launched in 2005, a market data feed that facilitates program and algorithmic trading;
- the Mutual Fund Quotation Service, a listing service for over 20,000 mutual funds, money market funds and unit investment trusts that supports fund data, including net asset values, and capital gains and dividend income distribution and provides print and electronic media exposure for the funds;
- the Mutual Fund Dissemination Service, a service that facilitates the real-time and end-of-day recap dissemination of all mutual fund pricing information and is used by data vendors and media to receive complete net asset value data on funds listed with us;
- Nasdaq Index Dissemination service, a real-time data feed that carries the values for a number of broad-based and sector indexes and ETFs;
- Nasdaq.com, a leading financial website for the investor community that generates revenues from advertising and product sales; and
- NasdaqTrader.com, a financial website that provides broker-dealers and market data vendors with information and data regarding our corporate initiatives (such as Open, Closing, Halt and IPO Crosses) and other products and services for a monthly subscription fee.

Issuer Services. Our Issuer Services segment includes our securities listings business, insurance business, shareholder and newswire services and our financial products business.

Securities Listings Business . We operate our securities listings business as the Corporate Client Group, which provides customer support services and products to Nasdaq-listed companies and is responsible for obtaining new listings on The Nasdaq Stock Market. More companies list on The Nasdaq Stock Market than any other U.S. market.

The companies that list on The Nasdaq Stock Market operate in diverse industries. The following chart shows the percentage of Nasdaq-listed U.S. companies by industry as of December 31, 2006.

Percentage of Nasdaq-listed Companies by Industry



We aggressively pursue new listings from companies undergoing IPOs. In 2006, we attracted 67% of the IPOs eligible for The Nasdaq Stock Market or the NYSE and 39% of the capital raised from these IPOs.

	Year Ended December 31,		
	2006	2005	2004
Initial public offerings listed on The Nasdaq Stock Market	137	126	148
Percentage of initial public offerings on primary U.S. markets	67%	59%	61%
Capital raised by initial public offerings listed on The Nasdaq Stock Market (in billions)	$ 17.4	$ 12.3	$ 15.0

Companies seeking to list securities on The Nasdaq Stock Market must meet minimum listing requirements, including specified financial and corporate governance criteria. Once listed, companies must meet continued listing standards. In July 2006, we introduced a new listing tier for public companies called The Nasdaq Global Select Market. The Nasdaq Global Select Market has the highest initial listing standards in the world. In conjunction with the creation of the new tier, we renamed The Nasdaq National Market, The Nasdaq Global Market. As a result, The Nasdaq Stock Market currently has three tiers of listed companies: The Nasdaq Global Select Market, The Nasdaq Global Market and The Nasdaq Capital Market. All three market tiers maintain rigorous listing and corporate governance standards and issuers listing on these markets have the opportunity to leverage an array of Nasdaq corporate services.

As of December 31, 2006, 1,187 companies listed securities on The Nasdaq Global Select Market, 1,479 companies listed securities on The Nasdaq Global Market and 527 companies listed securities on The Nasdaq

Capital Market. During 2006, 285 new companies listed on The Nasdaq Stock Market, with 19 listings on The Nasdaq Global Select Market and 216 on The Nasdaq Global Market. During 2005, 269 new companies listed on The Nasdaq Stock Market, with 227 listings on The Nasdaq National Market. In addition, we had 323 foreign companies listed on our markets in 2006, and 343 in 2005.

After the initial listing, our Corporate Client Group provides customer support services, products and programs to Nasdaq-listed companies. To offer additional services to our listed companies, in 2005 we acquired Carpenter Moore and the remaining 50% interest in the Nasdaq Insurance Agency, LLC, independent insurance brokerage firms. In 2006, we acquired Shareholder.com, a firm specializing in shareholder communications and investor relations intelligence services and PrimeNewswire, a firm specializing in press release newswire and multimedia services. Additionally, we participate in a joint venture with Reuters called the Independent Research Network which aggregates multiple, independent research providers to distribute equity research on behalf of under-covered companies. See Note 3, "Business Combinations" to the consolidated financial statements for further discussion.

In 2006, UAL Corporation, the parent company of United Airlines, listed with The Nasdaq Stock Market. Additionally, Liberty Media Corporation, Innospec Inc., Computer Task Group, Inc. and E*TRADE Financial switched the listings of their securities from the NYSE to Nasdaq. Furthermore, 30 companies switched their listing from the Amex to The Nasdaq Stock Market in 2006. We also have attracted listings from foreign companies seeking to access U.S. capital markets, including CTC Media from Russia and the Grupo Aeroportuario del Centro Norte, or OMA, from Mexico.

Since 2004, we have permitted NYSE-listed issuers to dually list their stock on The Nasdaq Stock Market. As of December 31, 2006, 10 companies dual listed securities on Nasdaq and NYSE. We continue to target companies about joining the dual-listing program.

Each year some companies cease listing with us for several reasons. In 2006, 303 companies ceased listing on The Nasdaq Stock Market compared with 332 in 2005. Companies cease listing for three primary reasons: failing to meet our listing standards, merger and acquisition activity and, to a lesser extent, switching to another listing venue. Delistings of issuers listed on The Nasdaq Stock Market during 2006 decreased by 9% compared with 2005.

We charge issuers an initial listing fee, a listing of additional shares fee and an annual fee. The initial listing fee for securities listed on The Nasdaq Stock Market includes a listing application fee and a total shares outstanding fee. The fee for listing of additional shares is based on the total shares outstanding, which we review quarterly. Annual fees for securities listed on The Nasdaq Stock Market are based on total shares outstanding. Initial listing and listing of additional shares fees are recognized on a straight-line basis over estimated service periods, which are six and four years, respectively, based on our historical listing experience, pursuant to the requirements of SEC Staff Accounting Bulletin Topic 13: Revenue Recognition.

In February 2007, the SEC approved a new pricing structure for our annual listing fees. This new schedule generally increases the annual and listing of additional shares fees listed companies pay to us, as well as the initial listing fee to list on The Nasdaq Capital Market.

Financial Products Business . We develop and license Nasdaq-branded indexes, associated derivatives and financial products as part of Nasdaq Financial Products. We believe that these indexes and products leverage, extend and enhance the Nasdaq brand. License fees for our trademark licenses vary by product based on assets or number or underlying dollar value of contracts issued. In addition to generating licensing revenues for Nasdaq, these products, particularly mutual funds and ETFs, lead to increased investments in companies listed on The Nasdaq Stock Market, which enhances our ability to attract new listings. In 2006, we launched 16 new indexes and firms have launched eight new ETFs on Nasdaq indexes.

Our flagship index, the Nasdaq-100 Index, includes the top 100 non-financial companies listed on The Nasdaq Stock Market. Nasdaq indexes are the basis for over 500 financial products in over 35 countries. Nasdaq licenses cash-settled options, futures and options on futures on its indexes as well as options and single stock futures on QQQ. In addition to license fees, we are reimbursed by the QQQ trust for marketing activities designed to promote the trust.

In 2006, the QQQ was one of the most actively traded ETFs in the world and the most actively traded listed equity security in the United States. During 2006, the QQQ's average daily trading volume was 107.4 million shares and its average daily dollar volume was approximately $4.4 billion. During 2005, the QQQ's average daily trading volume was 90.4 million shares and its average daily dollar volume was approximately $3.5 billion. As of December 31, 2006, the QQQ trust had issued approximately 416 million shares and assets under management had reached $18 billion.

Nasdaq Financial Products, through its Portal Market, facilitates the eligibility for clearing and settlement services at Depository Trust and Clearing Corporation, or DTCC, of Portal/Rule 144A securities. In 2006, we continued to facilitate the processing service for Rule 144A eligible securities through Portal with nearly 2,700 applications processed. In 2007, subject to SEC approval, we plan to launch our Portal Trading System, a system allowing for online trading of securities pursuant to Rule 144A. The Portal Market will then be a comprehensive offering including capital formation, trading, data and financial products.

In October 2006, we announced an agreement with PowerShares Capital Management LLC, or PowerShares, that will transfer the sponsorship functions including sales, marketing and administration of our QQQ, EQQQ and BLDRs ETFs. These transactions are expected to close by June 2007 pending approval by the SEC and the Irish Financial Services Regulatory Authority. We will maintain our status as licensor of the QQQ and the EQQQ ETFs. Nasdaq will continue to receive license fees from both these ETFs as they are benchmarked against the Nasdaq-100 Index.

The recent outcome of two court cases has impacted Nasdaq's ability to collect licensing revenues, beginning in the third quarter of 2006, for options on ETFs that track our indexes (such as QQQ). In September 2005, the U.S. District Court for the Southern District of New York dismissed actions brought by McGraw-Hill and Dow Jones against an options market that threatened to trade options on ETFs based on their proprietary indexes without a license. This dismissal was affirmed by the United States Court of Appeals for the Second Circuit in June 2006. The Second Circuit ruled that markets, in facilitating the trading of options on ETFs, are not misappropriating any intellectual property right of index providers. We are replacing this loss in revenues by continuing to develop, create, and license new indexes for financial instruments.

Fee Changes

We may change the pricing of our products and services in response to competitive pressures or changes in market or general economic conditions. Pursuant to the requirements of the Exchange Act, Nasdaq must file all proposals for a change in its pricing structure with the SEC. We provide updated information on the pricing of our products and services on our website at *www.nasdaqtrader.com* . See also "—Competition" and "Risk Factors—We face significant competition in our business."

Technology

Over the past five years, we have reduced our technology costs, consistent with our regulatory obligations, by migrating to fewer, less expensive technology platforms, introducing less expensive network solutions, and by reducing our workforce. Our transaction speed throughput and system reliability has been enhanced by our migration to the INET platform.

The Nasdaq Market Center systems are located in a processing complex in our Northeast data center. The systems have handled trade volume of over 3 billion shares daily and over 64,000 transactions per second and are

designed to maximize transaction reliability and network security across each of the most critical system services that comprise The Nasdaq Stock Market. In addition, our systems have the ability to handle increased capacity. To maximize reliability, we have developed a backup system in the event the primary systems are unable to perform.

Market data from our quote and trade execution systems are transferred via high-speed communications links to a market data repository and are available for real-time analysis, historical analysis, market surveillance and regulation, and data mining. The information is provided to applications and users through relational databases, higher-level access facilities and Internet applications.

Intellectual Property

We own or have licensed rights to trade names, trademarks, domain names and service marks that we use in conjunction with our operations and services. We have registered many of our most important trademarks in the United States and in foreign countries. For example, our primary "NASDAQ" mark is a registered trademark in the United States and in over 50 other countries worldwide. We also maintain copyright protection in our Nasdaq-branded materials and pursue patent protection for Nasdaq-developed inventions and processes. We currently have six issued United States patents and approximately 70 pending applications, some of which also are filed in foreign jurisdictions.

Industry

The equity exchange industry provides services, including securities listing, market information and trade execution, both in the United States and internationally.

Trade Execution Function. The principal market centers for buying and selling equity securities in the United States are The Nasdaq Stock Market, other national securities exchanges, including the NYSE and Amex, the regional stock exchanges and ECNs (sometimes referred to as alternative trading systems). These market centers employ different business models for displaying current bids, offers and orders for the purchase and sale of securities and for executing those bids, offers and orders against each other.

Unlike specialist-based auction markets, such as the NYSE and Amex, The Nasdaq Market Center, our transaction-based electronic platform, is a fully computerized, screen-based system that links over 230 competing market makers who commit capital and buy inventory to sell to market participants from their own account. The average Nasdaq-listed stock has over 24 market makers, who are required at all times to post their bid and offer prices into The Nasdaq Market Center, where the bids and offers can be reviewed and accessed for automatic execution by all market participants. In addition, our system provides a mechanism for all market participants (i.e., both order entry firms and market makers) to post non-marketable limit orders and to access posted limit orders both for their own account and when representing their customers on an agency basis, further enhancing liquidity in The Nasdaq Market Center.

Nasdaq-listed securities trade not just through The Nasdaq Market Center, but also through other market centers such the Amex, ECNs and regional exchanges. Currently, Nasdaq-listed securities trade on several ECNs and regional exchanges and are reported to Amex, the Chicago Stock Exchange, the Chicago Board Options Exchange, the Boston Stock Exchange, the International Securities Exchange, the National Stock Exchange, NASD's Alternative Display Facility, NYSE Arca, the Philadelphia Stock Exchange, and to trade reporting facilities operated by the National Stock Exchange and Nasdaq under the regulatory oversight of the NASD.

We also earn data revenues based on our share of trading securities listed on the NYSE and Amex via The Nasdaq Market Center. The market centers other than Nasdaq that execute and report trades in NYSE-listed securities through the CTA Plan include the NYSE, NYSE Arca, Amex, the Boston Stock Exchange, the Chicago Stock Exchange, the Chicago Board Options Exchange, the National Stock Exchange, International Securities

Exchange and the Philadelphia Stock Exchange. With the acquisition of INET, we are now the largest order flow provider to the floor of the NYSE. We offer efficiencies in our business model that have enabled us recently to increase our trading volume in NYSE-listed securities.

Competition among market centers for trading volume is intense because trading volume is highly portable, with broker-dealers' systems enabling simultaneous access to liquidity across all venues and order routing to the destination offering the best price or execution service.

Market Data Function. Nasdaq serves as a central consolidator of basic real-time quote and trade data for Nasdaq-listed securities. We act jointly with other national securities exchanges to collect and disseminate a consolidated stream of quotation and transaction information under national market system plans approved by the SEC, the CTA Plan or the CQ Plan, in the case of non-Nasdaq-listed securities, and the UTP Plan, in the case of Nasdaq-listed securities. The information collected under these national market system plans is sold for a fee to data vendors, who in turn sell the information to the public. These fees are referred to as "tape fees." After costs are deducted, the tape fees are distributed among the participants in each of the national market system plans based on their transaction volume. Some regional exchanges, such as the National Stock Exchange, have established programs to share the tape fee revenue they received under the UTP Plan with market participants that execute and/or report trades in securities through their facilities, in order to increase their share of tape fee revenue. Nasdaq also implemented a program to share the tape fee revenue it earns from the UTP, CTA and CQ Plans.

In addition to sharing revenue under the data plans, the Exchange and the other registered national securities exchanges provide proprietary data to the investing public. Because our systems are electronic and inclusive in nature, we are able to provide a level of market transparency to all investors that is only available to a small segment of the investing population in a floor-based or a hybrid model.

Regulation NMS will change the method for sharing market data revenues under the plans. The changes will introduce a quote component to the sharing methodology. Regulation NMS also requires the creation of advisory committees composed of non-SRO representatives to the data plans, and authorizes market centers to distribute their own trade data independently of the data plans.

Listing Function. Registered national securities exchanges provide a venue for issuers to list securities for trading. The Nasdaq Stock Market and the NYSE and, to a lesser extent, Amex are the primary listing venues for equity securities in the United States. A total of 3,193 companies were listed on The Nasdaq Stock Market as of December 31, 2006, compared to approximately 2,764 listed on NYSE.

There is substantial competition for listings from companies that are selling shares for the first time through an IPO. Of the 206 IPOs on U.S. equity markets during 2006, 137, or approximately 67%, chose to list on The Nasdaq Stock Market, raising approximately $17.4 billion in equity capital. The remainder listed on the NYSE or other markets.

There is also substantial competition among the markets to encourage companies to switch listing venues or to list on more than one venue. In 2004, Nasdaq implemented an initiative to allow companies to list their stock both on the Exchange and the other markets. Since announcing this "dual-listing" service, several high profile companies have dual-listed on the Exchange, including American Financial Group, Chicago Mercantile Exchange, Harmony Gold, and Walgreens. In addition, during 2006, four NYSE-listed companies switched their listing to Nasdaq, including E*TRADE Financial, Liberty Media Corporation, Innospec Inc. and Computer Task Group, Inc. Nasdaq also lists former NYSE companies such as UAL Corporation and Winn-Dixie Stores, Inc.

Recent Trends. The liberalization and globalization of world markets have resulted in greater mobility of capital, greater international participation in local markets and more competition among markets in different geographical areas. As a result, the competition among U.S.-based and non-U.S.-based markets and other execution venues has become more intense. The increased globalization of world markets also has increased the need for regulatory cooperation between markets in different jurisdictions.

In the last several years, the structure of the securities industry also has changed significantly through demutualizations and consolidations. In response to growing competition, many marketplaces in the United States and globally have demutualized to provide greater flexibility for future growth. As exchanges have demutualized and become for-profit public companies, profitability has become a significant driving factor. For profit-exchanges have focused on achieving economies of scale, ever improving technology and greater profitability through acquisitions and investments in new businesses. Broker-dealer investment in smaller regional exchanges as significant minority shareholders has been another consequence of demutualization. Globally, broker-dealers are demanding greater efficiency in trading equity securities, new sophisticated order types, seamless trading across asset classes and markets, and ever better performance of trading platforms.

Powerful business and regulatory factors also are causing the significant reorganization and restructuring of the equity securities industry through acquisitions, mergers, investments, and new entry, particularly in the transactions services area. The securities industry also is experiencing consolidation, creating a more intense competitive environment. Additionally, a high proportion of business in the securities market is becoming increasingly concentrated in a smaller number of institutions. At the same time, recent initiatives, including Regulation NMS, encourage a reappraisal of the business models of equity exchanges and alternative electronic trading systems.

As the transactions services area has been undergoing significant transformation, registered national securities exchanges have been active in the reorganization of the industry. We acquired INET in December 2005 and Brut in September 2004. In March 2006, the NYSE acquired Archipelago Holdings, the parent of the Pacific Exchange and the Archipelago ECN, and its acquisition of Euronext is scheduled to be completed later this year. Also, in 2006, the Boston Stock Exchange created a new equities market, the Boston Equity Exchange, in partnership with several large broker-dealers. The International Securities Exchange, historically a derivatives exchange, entered the cash-equities exchange business in September 2006.

Competition

The equity securities markets are intensely competitive. We compete in our industry against the NYSE, Amex, regional exchanges and ECNs based on a number of factors, including the quality of our technological and regulatory infrastructure, total transaction costs, the depth and breadth of our markets, the quality of our value-added customer services, reputation and price.

The NYSE has introduced a “hybrid” system, which incorporates certain elements of an electronic system while retaining many elements of a traditional trading floor and continues to operate Archipelago as another trading system. In addition, the pending merger of NYSE and Euronext and the continuing trend toward global consolidation among the exchanges may be expected to result in competition on a more global scale. Should the NYSE’s merger with Euronext be completed, the NYSE has indicated that Euronext’s NSC trading system might eventually replace both the NYSE’s hybrid and Archipelago’s trading systems.

With the Nasdaq-INET and NYSE-Arca transactions completed, the marketplace is now being altered by the entry of new ECNs in the trade execution business and market participants’ acquisition and investment in existing ECNs or regional exchanges. For example, TradeBot launched the Better Alternative Trading System, or BATS ECN. Citigroup announced its acquisition of OnTrade, Inc. from NexTrade, and Knight Capital Group, Inc. acquired Attain (Direct Edge). Citadel Derivatives Group, Citigroup, Credit Suisse, Merrill Lynch, Morgan Stanley and UBS purchased stakes in the Philadelphia Stock Exchange. Citigroup, Credit Suisse, Fidelity and Lehman Brothers invested in the Boston Stock Exchange to create a new electronic stock exchange, the Boston Equities Exchange. Additional new entrants may emerge, potentially posing a competitive threat to more established industry participants. While many of the new entrants have limited liquidity, some have attracted significant levels of equity order volume through aggressive pricing and, we believe, from volume originating with their broker-dealer investors. In addition, there remains interest in electronic trading systems specializing primarily in large block trades, such as LiquidNet, Pipeline Trading and Investment Technology Group’s POSIT platform.

Also, other regional exchanges, such as the Chicago Stock Exchange, Inc., the National Stock Exchange and the International Securities Exchange have recently entered into investment agreements with other participants in the securities industry, with the objective of enabling them to better compete with other exchanges.

Equity Securities Trading. We experience competition in our core trading activities such as execution services, quoting and trading capabilities, and reporting services. Our principal competitors for trading equity securities include NYSE, Amex, the regional exchanges and ECNs. Many of our competitors have engaged in aggressive price competition by reducing the trade execution transaction fees they charge their customers. As a result of this competition, we significantly reduced the trade execution transaction fees we charge our customers during 2005, particularly our large-volume customers. In early 2006, in connection with our acquisition of INET, we adjusted our transaction fees to harmonize our pricing structure with INET, whose fees had been higher than ours. In late 2006 the BATS ECN announced a new pricing initiative featuring net negative execution fees which took effect in January 2007. In February 2007, we announced new equities pricing to harmonize the trading of Nasdaq-listed and non-Nasdaq-listed securities into one pricing schedule. Also, we announced a pricing change, effective March 1, 2007, that will lower access and routing fees for high volume customers. We periodically reexamine our pricing structure to ensure that our fees remain competitive.

Data Services. Our revenues from the sale of market information products and services are also under competitive threat from other securities exchanges that trade Nasdaq-listed securities. Current SEC regulations permit these regional exchanges and NASD's Alternative Display Facility to quote and trade Nasdaq-listed securities. Trade reporting facilities regulated by the NASD are also operated by Nasdaq and one regional exchange and are proposed by other exchanges. Nasdaq's UTP Plan entitles these exchanges, NASD's Alternate Display Facility, and the trade reporting facilities to a share of UTP Plan tape fees, in proportion to such exchange's share of trading as measured by share volume and number of trades. Participants in the UTP Plan have used tape fee revenues to establish payment for order flow arrangements with their members and customers. In January 2004, we implemented a new tiered pricing structure and the Nasdaq General Revenue Sharing Program, which provided incentives for quoting market participants to send orders and report trades to The Nasdaq Market Center. We continuously evaluate and refine both programs. To remain competitive, in July 2006, we changed the terms of the program and established a new Nasdaq Data Revenue Sharing Program. We may adjust either program in the future to respond to competitive pressures.

We are also responding aggressively to competition by updating and innovating new data products to provide market participants with increased functionality and new and more extensive market information.

Listings. Our primary competitor for larger company listings on The Nasdaq Stock Market is the NYSE. We also compete, to a limited extent, with the Amex for listing of smaller, less active companies. As result of the NYSE-Archipelago merger, the NYSE group is aggressively pursuing listings of smaller companies that have not historically qualified for listing on the NYSE for listing on its junior market. In addition, we face competition for listing of foreign companies.

Financial Products. Nasdaq-sponsored financial products are subject to intense competition from other ETFs, derivatives and structured products as investment alternatives. The source of this competition is not only large ETF family sponsors, but also, increasingly, other mutual fund sponsors originating ETFs.

Likewise, The Nasdaq Stock Market is subject to intense competition for the listing of these financial products from other exchanges. The indexes on which these products are based face competition from other indexes which can be considered competitive with Nasdaq indexes. For example, there are a number of indexes that aim to track the technology sector and may from time to time have a high degree of correlation with the Nasdaq-100 Index and Nasdaq Composite Index. We face competition from investment banks, markets or other product developers in designing products that meet investor needs.

Acquisition Strategy

We have grown our business through acquisitions in 2004, 2005 and 2006. Our strategy for acquisitions is to identify and acquire only those elements that are most important to our success. We integrated the key components of the Brut technology and the Brut team into Nasdaq in 2005 and recently completed the integration of INET and the migration of its customers to the INET platform. Also consistent with this focused approach, we acquired Carpenter Moore, Shareholder.com and PrimeNewswire to meet specific needs of listed companies and other customers. Additionally, we entered into a joint venture with Reuters to form Independent Research Network, which aggregates multiple, independent research providers to distribute equity research on behalf of under-covered companies.

We regularly explore and evaluate strategic acquisitions and alliances, including assessing rating agency and regulatory implications, among other things, both in the United States and abroad, some of which could be material. We intend to pursue acquisitions and alliances with the objective of strengthening our current business and advancing our technology. In addition, we continue to evaluate implications of strategic transactions involving other industry participants both in the United States and abroad.

Regulation

Federal securities laws establish a two-tiered system for the regulation of securities markets, market participants and listed companies. The SEC occupies the first tier and has primary responsibility for enforcing federal securities laws. SROs, which are non-governmental organizations, occupy the second tier. The Exchange is an SRO. Self-regulatory organizations, such as national securities exchanges, are registered with the SEC and are subject to the SEC's extensive regulation and oversight.

This regulatory framework applies to our business in the following ways:

- regulation of The Nasdaq Stock Market; and
- regulation of our broker-dealer subsidiaries.

The rules and regulations that apply to our business are focused primarily on safeguarding the integrity of the securities markets and of market participants and investors generally. While we believe that regulation improves the quality of The Nasdaq Stock Market and, therefore, our company, these rules and regulations are not focused on the protection of our stockholders. Federal securities laws and the rules that govern our operations are subject to frequent change. Any subsequent change in law or regulation, or changes in the interpretation or enforcement of existing laws or regulations, may adversely affect our business, financial conditions and operating results.

SEC and Self-Regulatory Organization Regulation. With exchange registration, we received our own SRO status through our exchange subsidiary, separate from that of NASD. As an SRO, we have our own rules pertaining to our members and listed companies regarding listing, membership and trading that are distinct and separate from those rules applicable to broker-dealers that are administered by NASD. Broker-dealers may choose to become members of the Exchange, in addition to their other SRO memberships, including membership in NASD.

As the operator of a national securities exchange, virtually all facets of our operations are subject to the SEC's oversight, as prescribed by the Exchange Act, and we are subject to periodic and special examinations by the SEC. We also are potentially subject to regulatory or legal action by the SEC or other interested parties at any time in connection with alleged regulatory violations. We have been subject to a number of routine reviews and inspections by the SEC. To the extent such actions or reviews and inspections result in regulatory or other changes, we may be required to modify the manner in which we conduct our business, which may adversely affect our business. We are also subject to Section 17 of the Exchange Act, which imposes record-keeping requirements, including the requirement to make certain records available to the SEC for examination.

Section 19 of the Exchange Act provides that we must submit proposed changes to any of the SRO rules, practices and procedures, including revisions to provisions of our certificate of incorporation and by-laws that constitute SRO rules, to the SEC. The SEC will typically publish the proposal for public comment, following which the SEC may approve or disapprove the proposal, as it deems appropriate. The SEC's action is designed to ensure that applicable SRO rules and procedures are consistent with the aims of the Exchange Act and its rules and regulations. If the SEC disapproves a proposal that we have submitted, it could have an adverse impact on our business, financial condition and operating results. In addition, pursuant to the requirements of the Exchange Act, we must file all proposals for a change in our pricing structure with the SEC.

SROs in the securities industry are an essential component of the regulatory scheme of the Exchange Act for providing fair and orderly markets and protecting investors. The Exchange Act and the rules thereunder impose on the SROs many regulatory and operational responsibilities, including the day-to-day responsibilities for market and broker-dealer oversight. In general, an SRO is responsible for regulating its members through the adoption and enforcement of rules and regulations governing the business conduct of its members.

We sought to preserve a regulatory separation upon operation as a national securities exchange. NASD Regulation, Inc., or NASDR, a wholly-owned subsidiary of NASD, provides regulatory services to the Exchange, including the regulation of trading activity on The Nasdaq Stock Market and surveillance and investigative functions. We have a limited direct regulatory role in conducting real-time market monitoring through our MarketWatch department. This department, among other things, monitors for trades whose prices are away from the current market and initiates trading halts as necessary. Suspicious trading behavior discovered by MarketWatch staff and all other Nasdaq employees is referred to NASD for further investigation. NASD performs the surveillance and investigative functions for Nasdaq. We have preserved this regulatory separation now that we are operational as a national securities exchange.

We have additional regulatory functions related to companies listed on The Nasdaq Stock Market that are handled by our Listing Qualifications department. This department is responsible for maintaining a compliance-monitoring and enforcement program with respect to our requirements for initial and continued listing. Companies that wish to list on The Nasdaq Stock Market are required to satisfy a variety of quantitative and qualitative requirements to become listed and to continue to be listed, including all our corporate governance listing standards. Companies that fail to maintain compliance with these requirements are subject to delisting. To provide regulatory transparency and assist issuers in maintaining compliance, our Listing Qualifications department provides written interpretations with respect to the application of our listing requirements and maintains a website providing interpretive guidance.

When we transferred our own listing from the OTC Bulletin Board, or OTCBB, to the Nasdaq National Market in 2005, the SEC approved special listing standards with respect to listing our common stock on The Nasdaq Stock Market. These listing standards require periodic reporting of compliance to the SEC and an annual compliance audit by an independent accounting firm. Our failure to maintain compliance with these listing standards could result in our common stock being delisted from The Nasdaq Stock Market.

Broker-Dealer Regulation. Nasdaq's broker-dealer subsidiaries are subject to regulation by the SEC, the SROs and the various state securities regulators. We acquired three broker-dealers, Brut, LLC, INET ATS, Inc. and Island Execution Services, LLC, in connection with recent acquisitions. In February 2006, INET ATS, Inc., the entity operating INET ECN, was merged into Brut, LLC, with Brut, LLC as the surviving entity. Subsequently, Brut, LLC was renamed Nasdaq Execution Services, LLC. Nasdaq Execution Services, LLC currently operates as our routing broker for sending orders from The Nasdaq Market Center to other venues for execution. In 2006, Island Execution Services, LLC was renamed NASDAQ Options Services, LLC. NASDAQ Options Services currently has no trading operations.

Nasdaq Execution Services is registered as a broker-dealer with the SEC and in all 50 states, the District of Columbia and Puerto Rico. It is also a member of the NYSE, NASD, American Stock Exchange, Boston Stock

Exchange, Chicago Stock Exchange, International Securities Exchange, Pacific Stock Exchange, Philadelphia Stock Exchange and the National Stock Exchange. NASDAQ Options Services is a member of the NASD and the National Stock Exchange.

The SEC, NYSE and NASD adopt rules and examine broker-dealers and require strict compliance with their rules and regulations. The SEC, SROs and state securities commissions may conduct administrative proceedings which can result in censures, fines, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer, its officers or employees. The SEC and state regulators may also institute proceedings against broker-dealers seeking an injunction or other sanction. The SEC and SRO rules cover many aspects of a broker-dealer's business, including capital structure and withdrawals, sales methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, record-keeping, the financing of customers' purchases, broker-dealer and employee registration and the conduct of directors, officers and employees. All broker-dealers have an SRO that is assigned by the SEC as the broker-dealer's designated examining authority, or DEA. The DEA is responsible for examining a broker-dealer for compliance with the SEC's financial responsibility rules. NYSE is Nasdaq Execution Services' current DEA and the NASD is NASDAQ Options Services' DEA. A failure to comply with the SEC's request in a satisfactory manner may have adverse consequences and changing Nasdaq Execution Services' DEA may entail additional regulatory costs.

In August 2006, Nasdaq Execution Services settled a regulatory matter with NASD regarding compliance with Nasdaq Execution Services' obligations regarding short sales, firm quotes and other reporting and disclosure requirements. Nasdaq Execution Services paid a fine of $2.2 million to NASD.

As registered broker-dealer subsidiaries, Nasdaq Execution Services and NASDAQ Options Services are subject to regulatory requirements intended to ensure their general financial soundness and liquidity, which requires that they comply with certain minimum capital requirements. The SEC and NASD impose rules that require notification when net capital falls below certain predefined criteria, dictate the ratio of debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the Uniform Net Capital Rule and NASD rules impose certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC and NASD for certain withdrawals of capital.

As of December 31, 2006, Nasdaq Execution Services was required to maintain minimum net capital of $0.3 million and had total net capital of approximately $38.4 million, or $38.1 million in excess of the minimum amount required. As of December 31, 2006, NASDAQ Options Services was required to maintain minimum net capital of $0.3 million and had total net capital of approximately $1.7 million, or $1.4 million in excess of the minimum amount required.

Regulation NMS. Regulation NMS, which was adopted in 2005 and is scheduled to be fully implemented in 2007, has been one of the key drivers behind the changes in the execution services and market data businesses in the United States. The most significant provisions of Regulation NMS are order protection, referred to as the "best price" rule, and fair access. The best price rule requires exchanges and other trading centers to establish procedures designed to prevent the execution of trades at prices inferior to protected quotations displayed by other trading centers. Many market centers have announced plans to adopt electronic trading capabilities, which Nasdaq has had in place for many years. In particular, the NYSE has implemented the "hybrid" system, which incorporates some elements of an electronic system while retaining many elements of a traditional trading floor.

As a result of the best price rule, market participants will be required to route order flow to market centers with the best execution performance, including liquidity, reliability and speed. We believe that Nasdaq is well positioned to benefit from this provision of Regulation NMS, because we have long been a fully automated market and have a deep liquidity pool. We expect the best price rule will have a significant impact on the trading of securities, particularly non-Nasdaq-listed securities. Electronic trading is expected to result in increased average daily trading volumes as trading becomes fully automated .

Under the best price rule, each exchange must interact with the market center offering the best price before it can execute a trade at an inferior price on its systems. We believe that Regulation NMS is likely to remove many of the delays and impediments to trading NYSE- and Amex-listed securities through Nasdaq that existed under the trade through rule of the Intermarket Trading System. Accordingly, we withdrew from the Intermarket Trading System in 2006. We will rely instead upon faster private linkages with greater capacity to comply with the order protection and fair access rules.

The fair access rule requires market centers to provide fair and non-discriminatory access to quotations, establishes a limit on access fees to harmonize the pricing of quotations across different trading centers and requires all exchanges to maintain written rules that prohibit their members from displaying quotations that lock or cross automated quotations. We expect this rule will benefit Nasdaq because we have fast and reliable automated access into all market centers and a system that will permit compliance with the rules regarding the locking or crossing automatic quotations.

Regulation NMS also contains a market information rule that updates the requirements for consolidating, distributing and displaying market information. This rule amends the CTA, CQ and UTP Plans for disseminating market information to modify the formulas for allocating plan revenues and to broaden participation in plan governance. Finally, the sub-penny rule prohibits market participants from displaying quotations in pricing increments smaller than a penny, with exceptions for quotes and orders priced at less than $1.00 per share.

The changes in the competitive landscape driven by these rules could have far reaching and unforeseeable impacts on our businesses. The best price rule and the fair access rule will apply to a small group of stocks beginning in May 2007, with implementation for all securities required by October 2007. The market information rule is scheduled to apply beginning in April 2007, and the sub-penny pricing rule took effect on January 31, 2006.

Regulatory Contractual Relationships with NASDR

Regulatory Services Agreement. NASDR provides us with regulatory services, including the regulation of trading activity on the Exchange and the surveillance and investigative functions of the Exchange, pursuant to a regulatory services agreement and a transitional regulatory agreement discussed below. The regulatory services agreement became effective for Nasdaq-listed securities on August 1, 2006 and is anticipated to become effective for non-Nasdaq-listed securities in March 2007. In December 2006, we entered into a transitional regulatory services agreement with NASD under which NASD provides regulatory services with respect to our systems for trading non-Nasdaq-listed securities. Prior to the effective dates of the regulatory services agreement and transitional services agreement, NASDR provided regulatory services to us pursuant to the Delegation Plan. We paid NASDR $33.8 million for 2006 and $41.7 million for 2005 for regulatory services.

Under the regulatory services agreement, NASDR will provide regulatory services to us for ten years commencing August 1, 2006. The services are of the same type and scope as were provided by NASDR to us under the Delegation Plan. Each regulatory service is to be provided for a minimum of five years, then the parties may determine to terminate a particular service. The termination of a particular service will generally be based upon a review of pricing and the need for such services. Under the agreement, NASDR bills us a fee for each required service provided that it is based on NASDR's direct and indirect costs plus a markup of six percent on compensation costs related to NASDR's employees used to provide the services. Any services other than those required by the agreement are billed at cost, plus a mutually agreed upon markup.

Under the regulatory services agreement, NASDR:

- reviews and approves new member applications;
- performs automated surveillance of trading on The Nasdaq Stock Market;

- reviews member firm compliance with the rules and regulations applicable to trading and market-making functions in The Nasdaq Stock Market;
- investigates suspicious activity in quoting and trading on The Nasdaq Stock Market;
- conducts examinations of member firms;
- initiates the disciplinary process once it is determined that a potential violation of a federal securities law or rule, or an SRO rule, may have occurred; and
- operates an arbitration program and a mediation program for the resolution of customer, member firm employee, and Nasdaq member-to-member disputes.

For further discussion of these agreements and our other related party transactions, see "Item 13. Certain Relationships and Related Transactions, and Director Independence."

The transitional regulatory services agreement with NASD, which we entered into in connection with the removal of the Exchange from the Delegation Plan, will be in place from December 2006 until the partial implementation of Regulation NMS in March 2007. The transitional regulatory services agreement is substantially similar to the existing regulatory services agreement. Under the transitional agreement, NASD provides regulatory services with respect to systems for trading non-Nasdaq-listed securities and charges Nasdaq in accordance with the procedures that had existed under the Delegation Plan.

Employees

As of February 21, 2007, Nasdaq had 898 employees. None of its employees is subject to collective bargaining agreements or is represented by a union. Nasdaq considers its relations with its employees to be good.

Nasdaq Website and Availability of SEC Filings

We file periodic reports, proxy statements and other information with the SEC. The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (such as us). The address of that site is http://www.sec.gov.

Our website is www.nasdaq.com. Information on our website is not a part of this Form 10-K. We will make available free of charge on our website, or provide a link to, our Forms 10-K, Forms 10-Q and Forms 8-K and any amendments to these documents, that are filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. To access these filings, go to Nasdaq's website and click on "Investor Relations," then click on "Financial Information—SEC Filings."

Item 1A. Risk Factors

The risks and uncertainties described below are not the only ones facing Nasdaq. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. If any of the following risks actually occur, our business, financial condition, or operating results could be adversely affected.

Our high leverage limits our financial flexibility.

We have a significant amount of debt. Our indebtedness as of December 31, 2006 was approximately $1.5 billion and we may borrow up to an additional $75.0 million under our revolver and up to an additional $400 million under our swingline facility, subject to meeting certain conditions. This significant leverage may:

- impair our ability to obtain additional financing in the future for refinancing indebtedness, acquisitions, working capital, capital expenditures, or other purposes;
- reduce funds available to us for our operations and general corporate purposes or for capital expenditures as a result of the dedication of a substantial portion of our consolidated cash flow from operations to the payment of principal and interest on our indebtedness;
- place us at a competitive disadvantage compared with our competitors with less debt;
- increase our vulnerability to a downturn in general economic conditions; and
- curtail our flexibility to respond to changing economic or competitive conditions or to make acquisitions.

Our significant debt resulted in the downgrading of our credit rating by Moody's and by Standard & Poor's in the second quarter of 2006. In addition, on November 28, 2006, as a result of the significant debt we would have incurred in connection with our lapsed offers for the remaining LSE share capital, Standard & Poor's cut our long-term counterparty credit rating to BB from BB+.

In addition, we must comply with the covenants in our credit facilities. Among other things, these covenants restrict our ability to grant liens, incur additional indebtedness, pay dividends, sell assets, make certain payments, conduct transactions with affiliates and merge or consolidate. Failure to meet any of the covenant terms of our credit facilities could result in an event of default. If an event of default occurs, and we are unable to receive a waiver of default, our lenders may increase our borrowing costs, restrict our ability to obtain additional borrowings, accelerate all amounts outstanding or enforce their interest against all collateral pledged. The Exchange's convertible notes also contain a covenant restricting our ability to incur debt senior to the convertible notes and as a consequence of the current debt outstanding under our credit facilities, the Exchange's convertible notes would not permit us to incur additional debt senior to the convertible notes.

Future acquisitions, partnerships and joint ventures may require significant resources and/or result in significant unanticipated losses, costs or liabilities.

Over the past three years, acquisitions, including the acquisitions of INET ECN and Nasdaq Execution Services, LLC (formerly Brut, LLC), have been a significant factor in our growth. Although we cannot predict our rate of growth as a result of acquisitions, we believe that additional acquisitions or entering into partnership and joint ventures are important to our growth strategy. Many of the other potential purchasers of assets in our industry have greater financial resources than we have. Therefore, we cannot be sure that we will be able to complete future acquisitions on terms favorable to us.

We may finance future acquisitions by issuing additional equity and/or debt. The issuance of additional equity in connection with any transaction could be substantially dilutive to existing stockholders. The issuance of additional debt could increase our leverage substantially. In addition, announcement or implementation of future transactions by us or others could have a material effect on the price of our stock. We could face financial risks associated with incurring additional debt, particularly if the debt resulted in significant incremental leverage. Additional debt may reduce our liquidity, curtail our access to financing markets, impact our standing with the credit agencies and increase the cash flow required for debt service. Any incremental debt incurred to finance an acquisition could also place significant constraints on the operation of our business. We may not be able to meet those restrictions.

These equity, debt and managerial commitments may impair the operation of our businesses. Furthermore, any future acquisitions of businesses or facilities could entail a number of additional risks, including:

- problems with effective integration of operations;
- the inability to maintain key pre-acquisition business relationships;
- increased operating costs;
- the diversion of our management team from our other operations;
- problems with regulatory bodies;
- exposure to unanticipated liabilities;
- difficulties in realizing projected efficiencies, synergies and cost savings;
- possible tax costs or inefficiencies associated with a future acquisition, including overpaying for a future acquisition; and
- changes in our credit rating and financing costs.

We must continue to invest in our operations to integrate prior transactions and to maintain and grow our business, and we may need additional funds to do so.

We depend on the availability of adequate capital to maintain and develop our business. We believe that we can meet our current capital requirements from internally generated funds, cash on hand and available borrowings. However, if we are unable to fund our capital requirements as currently planned, there would be a material adverse effect on our business, financial condition and operating results.

Should we need to raise funds through incurring additional debt, we may become subject to covenants even more restrictive than those contained in our current debt instruments. Furthermore, if we issue additional equity our equity holders may suffer dilution. There can be no assurance that additional capital will be available on a timely basis, on favorable terms or at all.

We face significant competition in our business.

The securities trading business is highly competitive. We face competition from numerous entities in the securities trading industry, including competition for listings and trading services from other exchanges and market centers. Such competition also includes pricing competition. In addition, competition could increase as a result of the registration of new exchanges in the United States, Regulation NMS and globalization in the industry. The following factors are some of the risks associated with competition that may affect our business and results of operations:

Price competition has affected and could continue to affect our business.

The securities trading industry is characterized by intense price competition. We have in the past lowered prices and increased rebates to attempt to gain market share. These strategies have not always been successful and have at times hurt operating performance. Additionally, we have also been, and may once again be, required to adjust pricing to respond to actions by competitors, which has adversely impacted operating results. We have recently taken steps to rationalize our pricing. This rationalization of our pricing may adversely affect our market share.

Price competition with respect to market data rebates or our program relating to sharing revenues associated with trading Nasdaq-listed securities could attract trading volume away from us, leading to loss of market share and decreased revenues.

Globalization, growth, consolidations and other strategic arrangements may impair our competitive position.

The liberalization and globalization of world markets have resulted in greater mobility of capital, greater international participation in local markets and more competition among markets in different geographical areas. As a result, the competition among U.S.-based and non-U.S.-based markets and other execution venues has become more intense.

In addition, in the last several years, the structure of the securities industry has changed significantly through demutualizations and consolidations. In response to growing competition, many marketplaces in both Europe and the United States have demutualized to provide greater flexibility for future growth. The securities industry is also experiencing consolidation, creating a more intense competitive environment. Also, a high proportion of business in the securities market is becoming increasingly concentrated in a smaller number of institutions and our revenue may therefore become concentrated in a smaller number of customers.

We face competition from new competitors in the securities trading industry. Examples of these new competitors include:

- The Boston Stock Exchange, Inc., the Chicago Stock Exchange, Inc., the Philadelphia Stock Exchange, Inc, the National Stock Exchange and the International Securities Exchange have all recently entered into investment agreements with other participants in the securities industry, with the objective of enabling them to better compete with other exchanges;
- Knight Capital Group, Inc., a market maker in Nasdaq-listed securities, has acquired Attain ECN, a Nasdaq competitor now operating as Direct Edge;
- TradeBot Systems launched the BATS ECN;
- Citigroup Inc. announced plans to launch its own electronic stock-trading network from its acquisition of OnTrade Inc., an ECN previously operated by NexTrade Holdings Inc.;
- NYSE's potential entry in trading Nasdaq-listed securities;
- ISE began trading cash equities; and
- Philadelphia Stock Exchange recently began trading Nasdaq-listed securities.

Because of these market trends, we face intense competition. If we are unable to compete successfully in this environment, our business, financial condition and operating results will be adversely affected.

In addition, we believe Regulation NMS may enhance competition in Nasdaq-listed securities from these or other new competitors. Additionally, new ECNs may develop trading platforms that are more competitive than ours. Finally, there has been increased use of electronic trading systems specializing in large volume trades, such as LiquidNet, Pipeline Trading and Investment Technology Group's POSIT platform, which may divert trading volume from The Nasdaq Market Center. If these or other trading venues are successful, our business, financial condition and operating results could be adversely affected. Also, our trade reporting facility (which we operate jointly with the NASD for the purpose of accepting reports of off-exchange trades) faces competition from the trade reporting facilities operated jointly with NASD by the National Stock Exchange, and soon, the Boston Stock Exchange and NYSE.

Recent mergers and acquisitions activity of NYSE.

The recent merger of NYSE and Archipelago as well as the NYSE's announced merger with Euronext will create strong competition for us, particularly if NYSE is able to create its own electronic trading platform or migrate its trading business to Archipelago's platform and if NYSE is able to attract new overseas listings. NYSE

is developing electronic trading capabilities that will compete directly with ours. In addition, the merger with Archipelago has given NYSE access to ArcaEx's electronic systems. If NYSE's trading volume increases to our detriment as a result of the merger with Archipelago, it would have a negative impact on our business, financial condition and operating results. In addition, the proposed merger of NYSE and Euronext could result in a stronger competitor for us than NYSE and Euronext as stand-alone businesses. If the NYSE/Euronext merger is consummated and they are able to compete for additional overseas listings to our detriment, it would have a negative impact on our business, financial condition and operating results.

We face significant competition in our securities trading business, which could reduce our transactions, trade reporting and market information revenues and negatively impact our financial results.

We compete for trading of Nasdaq-, NYSE- and Amex-listed securities. Any decision by market participants to quote, execute or report trades through exchanges, ECNs or the Alternative Display Facility maintained by NASD could have a negative impact on our share of quotes and trades in securities traded through The Nasdaq Market Center. Any reduction in our share of trades or quotes would reduce our share of tape revenue from the UTP and CTA plans under Regulation NMS and could reduce the value of our proprietary data products.

While we trade a large percentage of securities of Nasdaq-listed companies, we face strong competition from other exchanges and emerging players in the market. For non-Nasdaq-listed securities, the other national exchanges offer significant level of liquidity in many non-Nasdaq-listed securities. Accordingly, we face major obstacles in continuing to grow our trading volume in non-Nasdaq-listed securities.

Our responses to competition may not be sufficient to regain lost business or prevent other market participants from shifting some of their quoting and/or trade reporting to other industry participants. We may need to reduce prices to remain competitive. Our inability to compete for transactions, trade reporting and market information revenues could have an adverse effect on our business, financial condition and operating results.

We must adapt to significant competition in our listing businesses.

We face significant competition in our listing businesses from other exchanges. Historically, NYSE has been our largest competitor, and we have competed with NYSE primarily for listings of larger domestic and international companies. In addition, on occasion, issuers may transfer their listings from us to other venues. Significant transfers could have a material adverse effect on our financial results.

Our revenues may be affected by competition in the business for financial products.

We continue to develop our financial products business, which creates indexes and licenses them for Nasdaq-branded financial products. Nasdaq-sponsored financial products are subject to intense competition from other ETFs, derivatives and structured products as investment alternatives. Our revenues may be adversely affected by increasing competition from competitors' financial products designed to replicate or correlate with the performance of our financial products. In addition, the legal and regulatory climate, which supports the licensing of these financial products, has changed in a manner which is likely to adversely impact our ability to successfully license our products. In September 2005, the U.S. District Court for the Southern District of New York dismissed actions brought by McGraw-Hill and Dow Jones against an options market that threatened to trade options on ETFs without a license. This dismissal was affirmed by the United States Court of Appeals for the Second Circuit in June 2006. The Second Circuit ruled that markets, in facilitating the trading of options on ETFs, are not misappropriating any intellectual property right of index providers. Further, many other entrants have recently emerged who not only compete with us for future growth opportunities, but who may also introduce products that erode the position of our current offerings, thereby adversely affecting our business, financial condition and operating results.

A decrease in trading volume will decrease our trading revenues.

Trading volume is directly affected by economic and political conditions, broad trends in business and finance, changes in price levels of securities and the overall level of investor confidence. Weak economic

conditions or a reduction in securities prices could result in a decline in trading volume. A decline in trading volume would lower revenues and may adversely affect our operating results. We are particularly affected by declines in trading volume in technology-related securities because a significant portion of our customers trade in these types of securities and a large number of the companies listed on The Nasdaq Stock Market are in the technology sector. In addition, investor confidence and trader interest, and thus trading volume, can be affected by factors outside our control, such as the publicity surrounding investigations and prosecutions for corporate governance or accounting irregularities at public companies.

Declines in the initial public offering market have an adverse effect on our revenues.

Stagnation or decline in the initial public offering market will impact the number of new listings on The Nasdaq Stock Market, and thus our related revenues. We recognize revenue from new listings on a straight-line basis over an estimated six-year service period. As a result of the decline in the IPO market from 2000-2002, our deferred revenue associated with those years will be lower than our deferred revenue associated with the periods from 2003 to the present.

Losses in listings could cause a reduction in revenues.

While the reduction in initial listings or the loss of one or more large issuers could decrease listing revenues, it could cause an even more significant decrease in revenues from the quoting, reporting and trading of those issuers' securities. If the combined NYSE/Euronext is successful in competing with us for core listings, we would lose not only the listing fees associated with those companies, but also a substantial amount of the trade execution fees generated by trading in those companies' securities.

We may experience fluctuations in our operating results.

The financial services industry is risky and unpredictable and is directly affected by many national and international factors beyond our control. Any one of these factors could have a material adverse effect on our business, financial condition and operating results by causing a substantial decline in the financial services markets and reduced trading volume.

Our revenue, margins and operating results have varied in the past and are likely to fluctuate significantly in the future, making them difficult to predict. These difficulties are particularly exacerbated in light of our recent acquisitions and the uncertainties surrounding the benefits and costs associated with integration. Additionally, since our borrowings under our credit facilities bear interest at variable rates and we do not have interest rate hedges in place on this debt, any increase in interest rates will increase our interest expense and reduce our cash flow. Other than variable rate debt, we believe our business has relatively large fixed costs and low variable costs, which magnifies the impact of revenue fluctuations on our operating results. As a result, a decline in our revenue may lead to a relatively larger impact on operating results. A substantial portion of our operating expenses will be related to personnel costs, regulation and corporate overhead, none of which can be adjusted quickly and some of which cannot be adjusted at all. Our operating expense levels are based on our expectations for future revenue. If actual revenue is below management's expectations, or if our expenses increase before revenues do, both gross margins and operating results would be materially and adversely affected. Because of these actions, it is possible that our operating results or other operating metrics may fail to meet the expectations of stock market analysts and investors. If this happens, the market price of our common stock is likely to decline.

We must control our costs to remain profitable.

We base our cost structure on historical and expected levels of demand for our products and services. A decline in our products and services may reduce our revenues without a corresponding decline in our expenses since we may not be able to adjust our cost structure on a timely basis. Our ability to manage and estimate our

costs will be particularly challenging as a result of recent acquisitions and integration efforts. Failure to achieve our goals on cost savings will have an adverse impact on our results of operations.

Damage to our reputation could have a material adverse effect on our businesses.

One of our competitive strengths is our strong reputation and brand name. Various issues may give rise to reputational risk, including issues relating to:

- the representation of our business in the media;
- the accuracy of our financial statements and other financial and statistical information;
- the quality of our corporate governance structure; and
- the quality of our products, including the reliability of our transaction-based business, the accuracy of the quote and trade information provided by our market information services business and the accuracy of calculations used by our financial products business for indices and unit investment trusts.

Damage to our reputation could cause some issuers not to list their securities on our exchange as well as reduce the trading volume on our exchange or cause us to lose customers in our market information services or financial products businesses. This, in turn, may have a material adverse effect on our business, financial condition and operating results.

The value of our LSE investment could decline due to fluctuations in LSE's stock price, the foreign currency exchange rate and payment of dividends.

The market value of our investment in the LSE is subject to market price volatility. We currently do not have any hedges on our investments, including our investment in the LSE. To the extent that we have not hedged our exposure to a decrease in the value of these securities, the value of our LSE investment could decrease. To the extent we do not hedge our exposure to exchange rate fluctuations, we also are subject to the risk of fluctuations in the exchange rate related to our investment.

Although we received dividends of $16.2 million in 2006, there is no guarantee that LSE will pay dividends to shareholders in future periods or that any dividends will be in comparable amounts.

LSE is subject to certain risks.

LSE suffers many of the same risks we suffer. To the extent these risks affect the future performance of the LSE businesses and, in turn, the market price of LSE share capital, the value of our investment in LSE could be materially affected.

We may not be able keep up with rapid technological and other competitive changes affecting our industry.

The markets in which we compete are characterized by rapidly changing technology, evolving industry standards, frequent enhancements to existing products and services, the introduction of new services and products and changing customer demands. If our platform fails to function as expected, our business would be negatively affected. In addition, our business, financial condition and operating results may be adversely affected if we cannot successfully develop, introduce, or market new services and products or if we need to adopt costly and customized technology for our services and products. In addition, our failure to anticipate or respond adequately to changes in technology and customer preferences, or any significant delays in product development efforts, could have a material adverse effect on our business, financial condition and operating results.

System limitations, failures or security breaches could harm our business.

Our business depends on the integrity and performance of the computer and communications systems supporting us. If our systems cannot expand to cope with increased demand or otherwise fail to perform, we

could experience unanticipated disruptions in service, slower response times and delays in the introduction of new products and services. These consequences could result in lower trading volumes, financial losses, decreased customer service and satisfaction and regulatory sanctions. We have experienced occasional systems failures and delays in the past and could experience future systems failures and delays. Under the Exchange's limitation of liability rule, we, subject to certain caps, may provide compensation for losses due to malfunctions of our order-execution systems.

If our trading volume increases unexpectedly, we will need to expand and upgrade our technology, transaction processing systems and network infrastructure. We do not know whether we will be able to accurately project the rate, timing, or cost of any increases, or expand and upgrade our systems and infrastructure to accommodate any increases in a timely manner.

Our systems and operations also are vulnerable to damage or interruption from human error, natural disasters, power loss, sabotage or terrorism, computer viruses, intentional acts of vandalism, security breaches, outages and similar events. We have active and aggressive programs in place to identify and minimize our exposure to these vulnerabilities and work in collaboration with the technology industry to share corrective measures with our business partners. Although we currently maintain multiple computer facilities that are designed to provide redundancy and back-up to reduce the risk of system disruptions and have facilities in place that are expected to maintain service during a system disruption, such systems and facilities may prove inadequate. Any system failure that causes an interruption in service or decreases the responsiveness of our services could impair our reputation, damage our brand name and negatively impact our business, financial condition and operating results.

The adoption and implementation of Regulation NMS by the SEC could adversely affect our business.

On April 6, 2005, the SEC adopted Regulation NMS. Regulation NMS's four primary components are: the Order Protection Rule, the Access Rule, the Market Data Rule and the Sub-Penny Rule. The major provisions of Regulation NMS will continue to be phased in over the course of 2007. We may incur technological and other costs in changing our systems and operations so that we can comply with these rules. We may also lose revenues due to a new formula under Regulation NMS for allocating market data revenue under the National Market System plans. Additionally, the impact of Regulation NMS is hard to predict and there may be problems or competitive challenges that we do not foresee that adversely affect our business as Regulation NMS is implemented. Finally, there is also a risk that the rules may materially change during implementation which would undermine business plans and investments that have been made based on the current form of the rules.

Regulatory changes and changes in market structure could have a material adverse effect on our business.

We operate in a highly regulated industry. In recent years, the securities trading industry and, in particular, the securities markets, have been subject to significant regulatory changes. Moreover, the securities markets have been the subject of increasing governmental and public scrutiny in response to a number of recent developments and inquiries. Any of these factors or events may result in future regulatory or other changes, although we cannot predict the nature of these changes or their impact on our business at this time. Our customers also operate in a highly regulated industry. The SEC and other regulatory authorities could impose regulatory changes that could impact the ability of our customers to use The Nasdaq Market Center or could adversely affect The Nasdaq Stock Market. The loss of a significant number of customers or a reduction in trading activity on The Nasdaq Stock Market as a result of such changes could have a material adverse effect on our business, financial condition and operating results.

We are subject to extensive regulation that may harm our ability to compete with less regulated entities.

Under current U.S. federal securities laws, changes in our rules and operations, including our pricing structure, must be reviewed, and in many cases explicitly approved by the SEC. The SEC may approve,

disapprove, or recommend changes to proposals that we submit. In addition, the SEC may delay the initiation of the public comment process or the approval process. This delay in approving changes, or the altering of any proposed change, could have an adverse effect on our business, financial condition and operating results. We must compete not only with ECNs that are not subject to the same SEC approval process, but also with other exchanges that have lower regulation and surveillance costs than us. There is a risk that trading will shift to exchanges that charge lower fees because, among other reasons, they spend significantly less on regulation.

In addition, Nasdaq Execution Services, LLC and NASDAQ Options Services, LLC are broker-dealers, which are subject to regulation by the SEC, NASD and other self-regulatory organizations. Any failure to comply with these broker-dealer regulations could have a material effect on the operation of our business, financial condition and operating results.

Our registered broker-dealer subsidiaries are subject to regulatory requirements intended to ensure their general financial soundness and liquidity, which require that they comply with certain minimum capital requirements. The SEC and NASD impose rules that require notification when net capital falls below certain predefined criteria, dictate the ratio of debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the Uniform Net Capital Rule, NYSE and NASD rules impose certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to, and/or approval of, the SEC, NYSE and NASD for certain withdrawals of capital.

We have self-regulatory organization obligations and also operate a for-profit business, and these two roles may create conflicts of interest.

We have obligations to regulate and monitor activities on The Nasdaq Stock Market and ensure compliance with applicable law and the rules of our market by market participants and Nasdaq-listed companies. The SEC staff has expressed concern about potential conflicts of interest of "for-profit" markets performing the regulatory functions of a self-regulatory organization. While we outsource the majority of our market regulation functions to NASD, we do perform regulatory functions related to our listed companies and our market. In addition, as part of our application for exchange registration, we have agreed that 20% of the directors of our exchange subsidiary will be elected by members of the Exchange rather than the equity holders of the subsidiary. Any failure by us to diligently and fairly regulate the Exchange, to fairly and accurately enforce the rules of the Exchange, to maintain a fair and orderly trading marketplace, to detect and correct aberrant market activity or to otherwise fulfill our regulatory obligations could significantly harm our reputation, prompt SEC scrutiny and adversely affect our business and reputation.

Failure to attract and retain key personnel may adversely affect our ability to conduct business.

Our future success depends, in large part, upon our ability to attract and retain highly qualified professional personnel. Competition for key personnel in the various localities and business segments in which we operate is intense. Our ability to attract and retain key personnel, in particular senior officers, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent. In particular, we are highly dependent on the continued services of Robert Greifeld, our President and Chief Executive Officer, and other executive officers and key employees who possess extensive financial markets knowledge and technology skills. Other than employment agreements with Mr. Greifeld and our general counsel, we do not have employment agreements with our key executive officers, which would prevent them from leaving and competing with us. We do not maintain "key person" life insurance policies on any of our executive officers, managers, key employees or technical personnel. The loss of the services of these persons for any reason, as well as any negative market or industry perception arising from those losses, could have a material adverse effect on our business, financial condition and operating results.

We are subject to risks relating to litigation and potential securities laws liability.

Many aspects of our business potentially involve substantial liability risks. While we enjoy immunity from private suits for self-regulatory organization activities, we and our broker-dealer affiliates could be exposed to liability under federal and state securities laws, including the Sarbanes-Oxley Act of 2002, other federal and state laws and court decisions, as well as rules and regulations promulgated by the SEC and other regulatory agencies, including insurance laws and regulations. These risks include, among others, potential liability from disputes over the terms of a trade, or claims that a system failure or delay cost a customer money, that we entered into an unauthorized transaction or that we made materially false or misleading statements or otherwise improper disclosures. As we intend to defend any such litigation actively, significant legal expenses could be incurred. An adverse resolution of any future lawsuit or claim against us or our affiliates could have an adverse effect on our business, financial condition and operating results.

In addition, we are subject to oversight by the SEC. The SEC regularly examines us and our broker-dealer affiliates for compliance with our obligations under the securities laws. In the case of non-compliance with our obligations under those laws, we or our broker-dealer affiliates could be subject to investigation and judicial or administrative proceedings that may result in substantial penalties.

Failure to protect our intellectual property rights could harm our brand-building efforts and ability to compete effectively.

To protect our intellectual property rights, we rely on a combination of trademark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements and other contractual arrangements with our affiliates, clients, strategic partners and others. The protective steps that we take may be inadequate to deter misappropriation of our proprietary information. We may be unable to detect the unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. We have registered, or applied to register, our core trademarks in the United States and in over 50 foreign jurisdictions and have pending U.S. and foreign applications for other trademarks. Effective trademark, copyright, patent and trade secret protection may not be available in every country in which we offer our services. Failure to protect our intellectual property adequately could harm our brand and affect our ability to compete effectively. Further, defending our intellectual property rights could result in the expenditure of significant financial and managerial resources, which could adversely affect our business, financial condition and operating results.

We are a holding company that depends on cash flow from our subsidiaries to meet our obligations.

We are a holding company with no material assets other than the equity interests of our subsidiaries. Accordingly, all our operations are conducted by our subsidiaries. As a holding company, we require dividends and other payments from our subsidiaries to meet cash requirements or to pay dividends. If our subsidiaries are unable to pay us dividends and make other payments to us when needed, we will be unable to satisfy our obligations.

Risks Relating to an Investment in Our Common Stock

Volatility in our stock price could adversely affect our stockholders.

The market price of our common stock is likely to be volatile. Broad market and industry factors may adversely affect the market price of our common stock, regardless of our actual operating performance. Factors that could cause fluctuations in our stock price may include, among other things:

- fluctuations in the value of our investment in LSE;
- actual or anticipated variations in our quarterly operating results;
- changes in financial estimates by us or by any securities analysts who might cover our common stock;

- conditions or trends in our industry, including trading volumes, regulatory changes or changes in the securities marketplace;
- announcements by us or our competitors of significant acquisitions, strategic partnerships or divestitures;
- announcements of investigations or regulatory scrutiny of our operations or lawsuits filed against us;
- additions or departures of key personnel; and
- sales of our common stock, including sales of our common stock by our directors and officers, significant stockholders or our strategic investors.

The market price of our common stock could be negatively affected by sales of substantial amounts of our common stock in the public markets.

Sales of a substantial number of shares of our common stock in the public markets, or the perception that these sales might occur, could cause the market price of our common stock to decline or could impair our ability to raise capital through a future sale of, or pay for acquisitions using, our equity securities. As of December 31, 2006, there were 112,317,987 shares of our common stock outstanding. All of our common stock is freely transferable, except shares held by our "affiliates," as defined in Rule 144 under the Securities Act.

The number of freely transferable shares of our common stock will increase upon any exercise of outstanding options pursuant to our stock compensation and stock award plan for our employees. There were 4,411,409 options exercisable as of December 31, 2006 at a weighted average exercise price of $8.71. The number of our shares of our common stock outstanding will also increase upon any conversion of our convertible notes primarily held by Silver Lake Partners, or SLP, and Hellman & Friedman, or H&F, or their respective affiliates, which are currently convertible at a conversion price of $14.50 per share into approximately 30,689,655 shares of our common stock, or any exercise of warrants primarily held by SLP and H&F or their respective affiliates, which are exercisable at a price of $14.50 per share into approximately 5.0 million shares of our common stock. We have granted SLP and H&F and their affiliates demand and piggyback registration rights with respect to the convertible notes and the shares of our common stock underlying those notes and warrants. All shares or notes sold under a registration statement will be freely transferable.

Provisions of our certificate of incorporation and approved exchange rules, including provisions included to address SEC concerns, and Delaware law could delay or prevent a change in control of us and entrench current management.

Our organizational documents place restrictions on the voting rights of certain stockholders. Our certificate of incorporation limits the voting rights of persons (either alone or with related parties) owning more than 5% of the then outstanding votes entitled to be cast on any matter, other than any other person as may be approved by our board of directors prior to the time such person owns more than 5% of the then outstanding votes entitled to be cast on any matter. The SEC has proposed rules that will impose voting and ownership limitations on broker-dealers of 20%, but not require other voting or ownership limitations. We have not determined at this time if we will seek to raise our 5% voting limitation if the SEC adopts the proposed rule. Any change to the 5% voting limitation would require SEC approval.

In response to the SEC's concern about a concentration of our ownership, our exchange rules include a rule prohibiting any Nasdaq member or any person associated with a Nasdaq member beneficially owning more than 20% of our outstanding voting interests. SEC consent would be required before any investor could obtain more than a 20% voting interest in us. Our exchange rules also require the SEC's approval of any business ventures with one of our members, subject to exceptions.

In addition, our organizational documents contain provisions that may be deemed to have an anti-takeover effect and may delay, deter or prevent a change of control of us, such as a tender offer or takeover proposal that

might result in a premium over the market price for our common stock. Additionally, certain of these provisions make it more difficult to bring about a change in the composition of our board of directors, which could result in entrenchment of current management.

In addition, our certificate of incorporation and by-laws:

- require supermajority stockholder approval to remove directors;
- do not permit stockholders to act by written consent or to call special meetings;
- require certain advance notice for director nominations and actions to be taken at annual meetings;
- require supermajority stockholder approval with respect to certain amendments to our certificate of incorporation and by-laws (including in respect of the provisions set forth above); and
- authorize the issuance of undesignated preferred stock, or "blank check" preferred stock, that could be issued by our board of directors without stockholder approval.

Section 203 of the Delaware General Corporation Law imposes restrictions on mergers and other business combinations between us and any holder of 15% or more (or, in some cases, a holder who previously held 15% or more) of our common stock. In general, Delaware law prohibits a publicly held corporation from engaging in a "business combination" with an "interested stockholder" for three years after the stockholder becomes an interested stockholder, unless the corporation's board of directors and stockholders approve the business combination in a prescribed manner.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The following is a description of Nasdaq's material properties as of December 31, 2006.

Location	Use	Size (approximate, in square feet)	Type of Possession
New York, New York	Location of MarketSite	26,000	Leased by Nasdaq
New York, New York	Nasdaq headquarters	115,000	Subleased from NASD with 17,931 square feet leased back to NASD
New York, New York	General office space	53,000	Subleased to third parties
Rockville, Maryland	General office space	78,000	Leased by Nasdaq
Trumbull, Connecticut	Location for Nasdaq's systems engineering	47,000	Leased by Nasdaq

In addition to the above, we currently lease administrative, sales and disaster preparedness facilities in Chicago, Illinois; Menlo Park, California; San Francisco, California; Jersey City, New Jersey; London, England; Washington, DC; Eugene, Oregon; Tampa, Florida; Los Angeles, California; Boston, Massachusetts; Maynard, Massachusetts; and Beijing, China.

As of December 31, 2006, 4,900 square feet of space was available for sublease.

We continue to explore options for decreasing our real estate commitments. In July 2006, we completed the sale of a building we owned in Trumbull, Connecticut and related assets for $30.3 million. This building, which was the location for our technology services and market operations, constituted approximately 162,000 square feet. We leased back the facility until June 30, 2007.

Item 3. Legal Proceedings.

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.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of Nasdaq's stockholders during the fourth quarter of 2006.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information. Our common stock has been listed on The Nasdaq Global Select Market (formerly The Nasdaq National Market) since February 9, 2005, under the ticker symbol "NDAQ." From July 1, 2002 through February 8, 2005, our common stock traded on the OTCBB under the symbol "NDAQ."

Before February 9, 2005, there was a limited trading market for our common stock. The following chart lists the quarterly high and low bid prices for shares of our common stock for 2005 and 2006. These prices are between dealers and do not include retail markups, markdowns or other fees and commissions and may not represent actual transactions.

	High	Low
Fiscal 2006		
Fourth quarter	$42.37	$28.90
Third quarter	32.49	25.33
Second quarter	45.00	23.91
First quarter	46.75	34.83
Fiscal 2005		
Fourth quarter	$45.23	$25.33
Third quarter	25.75	18.80
Second quarter	20.00	9.81
First quarter	11.86	7.60

As of February 21, 2007, we had approximately 1,676 holders of record of our common stock. As of February 21, 2007, the closing price of our common stock was $33.12. Our Credit Facility prohibits us from paying dividends. In the past, before our Credit Facility was in place, it was not our policy to declare or pay cash dividends on our common stock.

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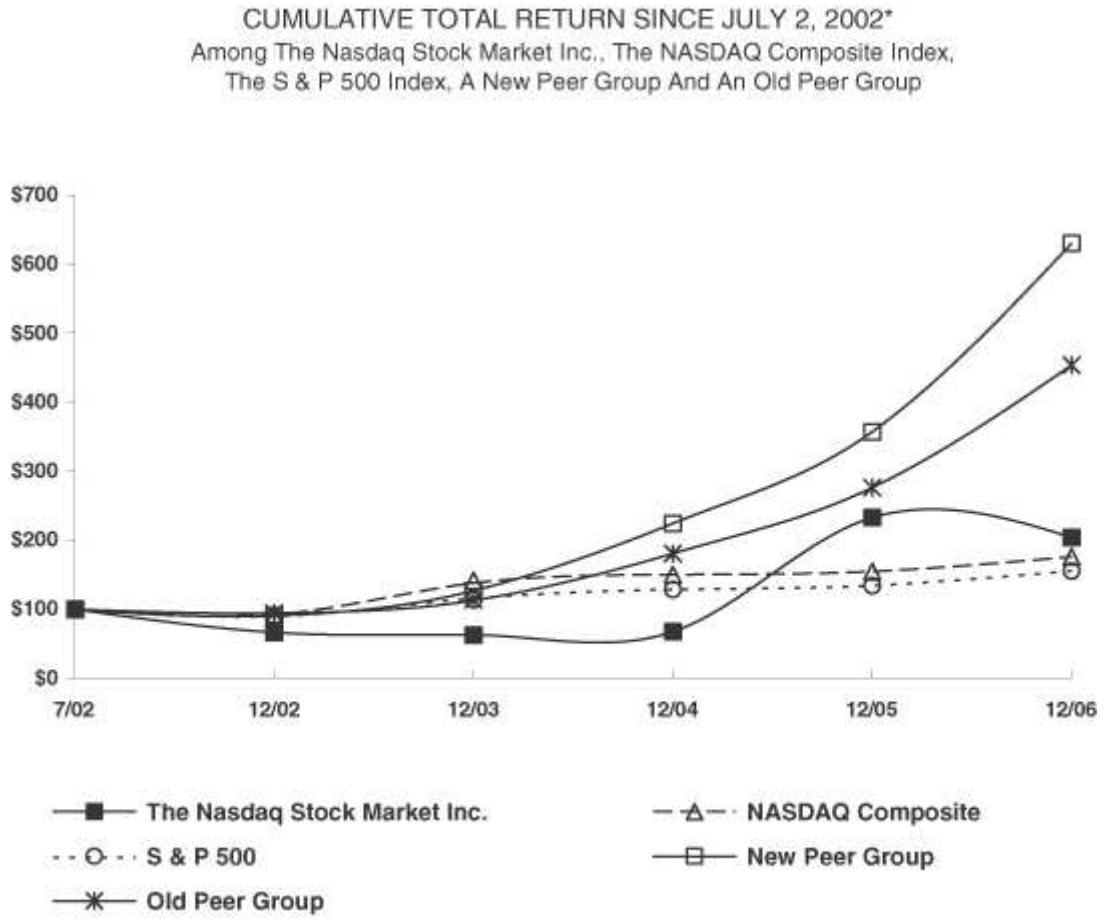
PERFORMANCE GRAPH

The following graph compares the total return of our common stock with certain indices and peer groups. These include the Nasdaq Composite Stock Index and the Standard & Poor's 500 Stock Index as well as two peer groups. The first peer group (old peer group) reflects the companies included in our peer group in prior years. These companies are Chicago Mercantile Exchange Holdings Inc., Investment Technology Group, Inc., eSpeed, Inc., LaBranche & Co Inc., London Stock Exchange Group plc, and Deutsche Börse AG. We also have included a new peer group to incorporate a number of changes that have occurred among our peer companies as a result of initial public offerings and merger activity. Companies included in the new peer group are Chicago Mercantile Exchange Holdings Inc., London Stock Exchange Group plc, Deutsche Börse AG, CBOT Holdings Inc., Intercontinental Exchange Inc., International Securities Exchange Inc. Holdings and NYSE Group Inc. Peer companies that have less than one year of trading history have not been included in the new peer group. Information for the indices and peer groups is provided for the period from July 2, 2002 (the date on which our common stock began trading on the Over-the-Counter Bulletin Board) through December 31, 2006. The figures represented below assume an initial investment of $100 in common stock at the closing prices on July 2, 2002 and in the Nasdaq Composite Stock Index and the Standard & Poor's 500 Stock Index on June 30, 2002 and the reinvestment of all dividends into shares of common stock.



* $100 invested on 7/2/02 in stock or on 6/30/02 in index-including reinvestment of dividends.
Fiscal year ending December 31.

	7/02	12/02	12/03	12/04	12/05	12/06
The Nasdaq Stock Market Inc.	100.00	66.12	62.48	67.44	232.60	203.57
NASDAQ Composite	100.00	92.32	137.48	150.17	154.57	175.77
S & P 500	100.00	89.70	115.44	128.00	134.28	155.50
New Peer Group	100.00	90.16	126.53	224.15	357.10	630.52
Old Peer Group	100.00	94.32	112.15	180.69	275.89	453.37

Item 6. Selected Consolidated Financial Data.

The following table sets forth selected consolidated financial data on a historical basis for Nasdaq. The following information should be read in conjunction with the consolidated financial statements and notes thereto of Nasdaq included elsewhere in this Form 10-K.

Selected Consolidated Financial Data

	Year Ended December 31,				
	2006	2005	2004	2003	2002
	(in thousands, except share and per share amounts)				
Statements of Income Data:					
Total revenues [1]	$ 1,657,776	$ 879,919	$ 540,441	$ 589,845	$ 787,154
Cost of revenues [1]	(970,381)	(353,908)	(55,845)	—	—
Gross margin	687,395	526,011	484,596	589,845	787,154
Total expenses	473,306	412,348	476,413	647,159	675,307
Net income (loss) from continuing operations	127,893	61,690	1,804	(45,112)	65,021
Net income (loss) from discontinued operations, net of taxes [2]	—	—	9,558	(60,335)	(21,893)
Net income (loss)	127,893	61,690	11,362	(105,447)	43,128
Net income (loss) applicable to common stockholders	127,203	55,093	(1,826)	(113,726)	33,363
Basic and diluted earnings (loss) per share:					
Basic earnings (loss) per share:					
Continuing operations	$ 1.22	$ 0.68	$ (0.14)	$ (0.68)	$ 0.66
Discontinued operations	—	—	0.12	(0.77)	(0.26)
Total basic earnings (loss) per share	$ 1.22	$ 0.68	$ (0.02)	$ (1.45)	$ 0.40
Diluted earnings (loss) per share:					
Continuing operations	$ 0.95	$ 0.57	$ (0.14)	$ (0.68)	$ 0.66
Discontinued operations	—	—	0.12	(0.77)	(0.26)
Total diluted earnings (loss) per share	$ 0.95	$ 0.57	$ (0.02)	$ (1.45)	$ 0.40
Weighted average common shares outstanding for earnings (loss) per share:					
Basic	104,311,040	80,543,397	78,607,126	78,378,376	83,650,478
Diluted	144,228,855	111,913,715	78,607,126	78,378,376	84,073,381

	December 31,				
	2006	2005	2004	2003	2002
			(in thousands)		
Balance Sheets Data:					
Cash and cash equivalents and available-for-sale investments [3]	$ 1,950,204	$ 344,606	$ 233,099	$ 334,633	$ 423,588
Total assets [4]	3,716,452	2,046,786	814,820	851,254	1,175,914
Total long-term liabilities [4]	1,798,466	1,467,453	449,941	452,927	636,210
Total stockholders' equity [4]	1,457,355	253,007	156,563	160,696	270,872

(1) Pursuant to Emerging Issues Task Force, or EITF, of the Financial Accounting Standards Board, or FASB, Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent," or EITF 99-19, we record execution revenues from transactions on a gross basis in revenues and record related expenses such as liquidity rebate payments and execution costs as cost of revenues. We have recorded execution revenues related to the Brut and INET platforms on a gross basis since the related acquisitions, as Brut and INET have historically had risk as principal on transactions executed through their respective platforms. On February 1, 2006, Brut and INET merged together into a single broker-dealer, Brut, LLC, which was later renamed, Nasdaq Execution Services, LLC. Starting with the second quarter of 2005, we have reported execution revenues from transactions on our legacy platform on a gross basis in revenues and reported related expenses as cost of revenues, as we have certain risk associated with trade execution, subject to rule limitations and caps, as a result of our Limitation of Liability Rule. This change in presentation was implemented on a prospective basis beginning April 1, 2005 as required under GAAP, as a direct result of the rule change. This rule change did not have a material impact on the consolidated financial position or results of operations of Nasdaq.

(2) Net of tax provision (benefit) for income taxes of $5,595 in 2004, $(3,663) in 2003 and $128 in 2002.

(3) Includes our investment in the LSE accounted for in accordance with Statement of Financial Accounting Standards, or SFAS, No. 115 "Accounting for Certain Investments in Debt and Equity Securities," or SFAS 115, at December 31, 2006. See Note 7, "Investments," to the consolidated financial statements for further discussion.

(4) Includes continuing and discontinued operations for 2003 and 2002.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of the financial condition and results of operations of Nasdaq in conjunction with our consolidated financial statements and related notes included in this Form 10-K, as well as the discussion under Item 1A. Risk Factors. We have reclassified prior period amounts presented in the discussion and analysis to conform to the 2006 presentation.

Overview

Nasdaq had a highly successful year in 2006. Our financial performance improved substantially, going from net income of $61.7 million or $0.57 per diluted share in 2005, to net income of $127.9 million or $0.95 per diluted share in 2006. Our recent acquisitions contributed to our earnings and we expect further contributions from them in our future results. Our investment in the LSE also contributed to our 2006 earnings and included a $29.4 million unrealized gain, net of tax, on foreign currency option contracts purchased to hedge the foreign exchange exposure on our acquisition bid for the LSE. In August 2006, we began operating as a national securities exchange for Nasdaq-listed securities and on February 12, 2007 became operational as a national securities exchange in non-Nasdaq-listed securities. We recently completed the integration of Nasdaq's legacy execution system and the Brut and INET execution systems onto a single platform. In October 2006, we migrated all trading in Nasdaq-listed securities to the INET platform, and all non-Nasdaq-listed securities trading on the Brut platform to INET's platform in November 2006.

In addition to the above, during 2006, we:

- Acquired a stake in the LSE totaling approximately 28.8% of the issued share capital of the LSE, after taking into account LSE's recent share buybacks.
- Completed the acquisition of PrimeNewswire, a firm specializing in press release newswire services, enabling us to offer information distribution and multimedia services as part of our Corporate Client services.
- Acquired Shareholder.com, allowing us to offer shareholder communications and investor relations intelligence services to issuers, which is also a part of our Corporate Client services.
- Created The Nasdaq Global Select Market, a new listing tier with the highest initial listing standards in the world.
- Improved our matched market share in NYSE-listed securities to 10.4% for the year ended December 31, 2006, up from 4.2% for the year ended December 31, 2005.
- Completed two offerings of our common stock: 1) 15,979,513 shares of common stock at $40.00 per share including 8,042,142 shares sold by Nasdaq with $104.7 million in proceeds used to redeem our Series C Cumulative preferred stock; 2) 18,500,000 shares of common stock at $37.36 per share with the net proceeds used to prepay a portion of the amount outstanding under our April 2006 Credit Facility.
- Redeemed the Series D preferred stock that had been issued to NASD. NASD no longer maintains voting control over us.

Our 2006 results were impacted by the following:

- Improved gross margin (revenues less cost of revenues) from our Market Services segment. Gross margin from Market Services increased $138.2 million, or 46.1%, to $437.9 million in 2006, compared with $299.7 million in 2005 due to the following:
  - Increases in our market share and average daily share volume partially offset by higher cost of revenues and a decline in the subscriber base for legacy access services products which we discontinued as of December 31, 2005. Nasdaq's market share increased primarily due to the INET

acquisition as our 2006 results include INET's operations for a full year compared with less than one month of operations in 2005. The increase in cost of revenues was due to an increase in liquidity rebates and an increase in clearance, brokerage and exchange fees also primarily due to our market share increase resulting from the INET acquisition.

- Increase in market subscription users which increased our Market Services subscriptions fees.
- Removal of Nasdaq Quotation Dissemination Services, or NQDS, from the UTP Plan, reducing overall shareable UTP revenues.

- Increase in revenues from our Issuer Services segment. Revenues increased $22.9 million, or 10.1%, to $249.0 million in 2006, compared with $226.1 million in 2005, primarily due to our recent acquisitions.
- Increase in total expenses of $61.0 million, or 14.8%, to $473.3 million in 2006 compared with $412.3 million in 2005 as a result of the INET integration and additional cost reduction activities and recent acquisitions.
- Increase in net interest expense of $58.9 million to $66.5 million in 2006 compared with $7.6 million in 2005 as a result of additional debt issued to finance the acquisition of INET and our investment in the LSE.
- Dividend income of $16.2 million in 2006 due to the receipt of ordinary dividends from our investment in the LSE.
- Gain on foreign currency option contracts of $48.4 million in 2006. We purchased foreign currency option contracts in order to hedge the foreign exchange exposure on our acquisition bid for the LSE. This position is marked-to-market at each reporting period resulting in gains and losses, which are included in net income.

These current and prior year items are discussed in more detail below.

Business Environment

Nasdaq serves listed companies, market participants and investors by providing a high quality cash equity market, thereby enabling corporate growth and entrepreneurship. In broad terms, our business performance is impacted by a number of drivers including macroeconomic events affecting the risk and return of financial assets, investor sentiment regarding the outlook for equity investments, the regulatory environment for primary and secondary equity markets, and changing technology in the financial services industry. Our future revenues, gross margin and net income will continue to be influenced by domestic and international trends including:

- the number of companies seeking equity financing, which is affected by factors such as investor demand, the economy, alternative sources of financing, and tax and regulatory policies;
- trading volumes, particularly in U.S. equity securities, which are driven primarily by overall macroeconomic conditions;
- competition for listings and trading executions related to pricing, and product and service offerings; and
- other technological advancements and regulatory developments

Currently our business drivers are characterized by moderate economic growth in response to the policy actions of a number of global central banks, positive U.S. investor sentiment evidenced by record highs in a number of major domestic stock market indices, significant regulatory changes in the U.S. and the European Union, and continued rapid evolution and deployment of new technology in the financial services industry. The business environment created by these drivers and driving our financial performance can be characterized as follows:

- a robust environment for equity issuance with capital raised by Nasdaq issuers hitting a six year high;

- continuing growth of financing alternatives to public equity for both new and established companies;
- strong equity trading volumes in the U.S. and internationally;
- intense competition among U.S. exchanges for both equity trading volume and listings;
- globalization of customers and competitors extending competitive horizon beyond U.S.;
- customers' demands for speed, capacity, and reliability require continuing investment in technology; and
- regulation NMS in the U.S. likely to increase competition for trading volume and data revenue.

2007 Outlook

We believe the completion of the integration of Nasdaq's legacy execution system and the Brut and INET execution systems onto a single platform has provided the foundation for improved execution quality and speed, while maintaining the attributes of The Nasdaq Market Center, including market making functionality, attributed quotes, and the Opening, Closing, Halt and IPO Crosses. Furthermore, the single platform will create additional cost savings as legacy trading and support hardware and systems are no longer required. These improvements in The Nasdaq Market Center are the foundations for our plans to continue to increase our market share of U.S. equity trading. Market share gains by The Nasdaq Market Center are expected to raise the value of our proprietary market data products, while the introduction of new data products currently under development and the continuing adoption of our flagship TotalView book feed are also expected to drive our results for the coming year. Beginning in the second quarter of 2007, we anticipate that the remaining elements of Regulation NMS will be implemented. We believe that the full implementation of this regulation will lead to moderate increases in average daily share volume as formerly manual exchanges complete their automation processes. These volume increases should benefit all aspects of our Market Services segment. Also during the coming year for our Issuer Services segment, company listings should continue to benefit as the climate for IPOs and secondary offerings remains positive. Finally, we will look for additional sources of revenue through enhanced product offerings and/or potential acquisitions that complement our business.

Acquisition of LSE

We, through our wholly-owned subsidiary NAL hold an investment in the LSE totaling approximately 28.8% of the issued ordinary share capital of the LSE. We acquired these shares from LSE shareholders in a series of purchases beginning in April 2006.

On March 9, 2006, we submitted a non-binding indication of interest to acquire the LSE which was rejected by the board of LSE. In November 2006, we announced the terms of final offers to acquire all of the ordinary share capital of LSE not already owned by NAL at a price of 1,243 pence per share and all of the B Share Capital of LSE at a price of 200 pence (plus accrued dividend) per share. These final offers lapsed on February 10, 2007.

We will continue to explore and evaluate strategic opportunities in the global markets to build on our existing position as the largest electronic equities exchange in the United States. We have a highly disciplined approach to acquisitions and will only consummate transactions to the extent they deliver clear and visible benefits for our shareholders, and enable us to allocate benefits to market participants. See Item 1. "Business—Acquisition Strategy" and Item 1A. "Risk factors—Future acquisitions, partnerships and joint ventures may require significant resources and/or result in significant unanticipated losses, costs and liabilities" for further discussion.

Business Segments

We manage, operate and provide our products and services in two business segments: Market Services and Issuer Services.

- 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.
- Issuer Services segment includes our securities listings business, insurance business, shareholder 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. See Note 20, "Segments," to the consolidated financial statements for further discussion.

Cost Reductions and Operating Efficiencies

During the past several years, we have taken significant steps to grow our business and enhance our competitive position. We have successfully reduced technology costs, eliminated non-core products, scaled back our workforce and consolidated our real estate facilities and operations. The INET integration has accelerated our migration to a low-cost trading platform and is resulting in significant operating synergies.

During 2006, we incurred incremental pre-tax expenses of approximately $40.9 million in connection with taking actions to improve our operational efficiency, including the integration of INET. In 2005, we incurred similar charges of approximately $20.0 million, net. Excluding the release of a sublease loss reserve described in Note 5, "Cost Reduction Program, INET Integration and Strategic Review," total pre-tax charges taken during 2005 were $32.1 million.

Some of the key steps we have taken to reduce our costs and expenses include:

- Reducing our computer operations and data communications expense primarily through the renegotiation of contracts with major suppliers and a reduction in the number of technology operating platforms that we support. In 2006, our computer operations and data communications expense was $41.5 million compared with $62.4 million for 2005, a decrease of $20.9 million, or 33.5%.
- Reducing our headcount by eliminating 100 positions during 2006 as a result of our cost reduction program. However, headcount increased from 865 at December 31, 2005 to 904 at December 31, 2006, in part as a result of 119 employees acquired in the PrimeNewswire and Shareholder.com acquisitions.
- Further consolidating our real estate facilities. In July 2006, we completed the sale of our building and related assets located in Trumbull, Connecticut. Also, in 2006, we consolidated our data centers and reduced floor space without impact to our customers, which will result in lower annual technology costs. As of December 31, 2006, we occupy approximately 487,400 square feet and are committed to approximately 566,600 square feet; of this committed amount, we have sublet approximately 74,300 square feet and approximately 4,900 square feet remains available for sublease.

Sources of Revenues

Market Services

Nasdaq Market Center

The Nasdaq Market Center is our transaction-based platform that provides our market participants with the ability to access to The Nasdaq Stock Market execution services, such as quoting and trading capabilities, and reporting services such as trade reporting and risk management. We provide these services for Nasdaq-listed and non-Nasdaq-listed securities. Until September 30, 2005, we also provided these services for securities authorized for trading on the OTCBB. Effective October 1, 2005, we transferred responsibility for the OTCBB to NASD. See Note 13, "Related Party Transactions," to the consolidated financial statements for further discussion.

On December 8, 2005, we completed our acquisition of INET. Our 2005 results include activity related to INET from December 8, 2005 through December 31, 2005 and our 2006 results include activity related to INET for the entire year. As noted above, we recently completed the integration of Nasdaq's legacy execution system and the Brut and INET execution systems onto a single platform.

We provide our customers with the ability to execute trades electronically in equity securities. The primary fee for these execution services is a transaction execution charge, assessed on a per share basis to the party that accesses the liquidity provided by another market participant. In most circumstances, we credit a portion of the per share execution charge as a rebate to the market participant that provides the liquidity. We also earn revenues based on our share of trading securities listed on the NYSE and Amex. Many of our competitors engage in aggressive price competition by reducing the transaction fees they charge customers for trade execution. As a result of this competition, during 2005, we significantly reduced the transaction fees we charge our customers for trade execution, particularly for large-volume customers. In early 2006, in connection with our acquisition of INET, we adjusted our transaction fees to harmonize our pricing structure with INET, whose fees had been higher than ours. In February 2007, we announced new equities pricing to harmonize the trading of Nasdaq-listed and non-Nasdaq-listed securities into one pricing schedule. Also, we announced a pricing change, effective March 1, 2007, that will lower access and routing fees for high volume customers. We periodically reexamine our pricing structure to ensure that our fees remain competitive.

We also generate revenue by charging fees for trade reporting, trade comparison, order routing and providing risk management services. Although we do not currently charge market participants for most of the trades they report to us, we do earn revenues for all trades reported to us in the form of shared market information revenues under the UTP Plan for Nasdaq-listed securities, under the CTA Plan for NYSE-listed securities and the CQ Plan for Amex- and regional exchange-listed securities.

Also, Nasdaq pays fees to the SEC pursuant to Section 31 of the Securities Exchange Act of 1934, or Section 31 fees. These fees are recorded as execution and trade reporting revenues with a corresponding amount recorded as cost of revenues. The Section 31 fees are designed to recover the costs to the government of supervision and regulation of securities markets and securities professionals. Nasdaq collects the fees as a pass-through charge from organizations executing eligible trades on Nasdaq's legacy execution system or exchange platforms (INET's and Brut's platforms) and recognizes these amounts in cost of revenues when invoiced. Section 31 fees received are included in cash at the time of receipt and, as required by law, the amount due to the SEC is remitted semiannually and recorded as an accrued liability until paid. Since the amount recorded in revenues is equal to the amount recorded in cost of revenues, there is no impact on Nasdaq's gross margin or net income.

Finally, The Nasdaq Market Center generates revenue by providing market participants with a front-end workstation and by offering several different alternatives to access The Nasdaq Market Center. The type of connectivity is determined by the level of functionality a customer needs. During 2005, we completed the necessary steps to exit a low-margin business related to our legacy service products and associated proprietary network. See "—Operating Results-Nasdaq Market Center."

Nasdaq Market Services Subscriptions

The primary source of revenues for Nasdaq Market Services Subscriptions is the collection and dissemination of price quotations and information regarding price and volume of executed trades. We collect information, distribute it and earn revenues in two capacities: as a member of the UTP Plan and as a distributor of our proprietary market data. We also operate as the exclusive Securities Information Processor as part of the UTP Plan for the collection and dissemination of the best bid and offer information and last transaction information from the exchanges and markets that quote and trade in Nasdaq-listed securities.

In our role as the Securities Information Processor, we disseminate information to data vendors, which the data vendors then sell to the public. After deducting our expenses incurred as the Securities Information Processor, we distribute the tape fees to the respective UTP Plan participants, including ourselves, based on a combination of the participants' respective annual trade volume and share volume. Since our sharing in the UTP Plan is based on our market share, our revenues from the sale of market information products and services are under competitive pressure from other securities exchanges that trade Nasdaq-listed securities. As a result, we implemented the General Revenue Sharing Program, which provided an incentive for quoting market participants to send orders and report trades to The Nasdaq Market Center to stabilize Nasdaq's share of UTP Plan revenues. On July 1, 2006, we changed the terms of this program and renamed our revenue sharing program the Nasdaq Data Revenue Sharing Program. This new program continues to provide incentives to quoting participants by sharing revenue on internal trades reported to us.

In the second quarter of 2006, upon consultation with the SEC, it was determined that the approval of Amendment 13 to the UTP Plan on February 7, 2006 resulted in the immediate removal of NQDS from the UTP Plan. As a result, we were no longer required to share revenues from NQDS, the best quote information from each market participant, effective as of February 7, 2006. We still are required to share UTP Plan revenues related to trade reports and the best priced quotations in our market, or Level 1.

In addition to NQDS, we also sell other proprietary data products based on information from market participants that choose to display trading interest on The Nasdaq Market Center, most notably TotalView, our flagship market depth quote product. We operate several other proprietary services and data feed products, including the Mutual Fund Quotation Service, or MFQS; the Mutual Fund Dissemination Service; our financial websites, Nasdaq.com and NasdaqTrader.com; Nasdaq Index Dissemination Service and OpenView, which is similar to TotalView, but displays market depth for NYSE- and Amex-listed securities. Within the past year, we launched ModelView, a web-based historical data product intended to provide more comprehensive information regarding The Nasdaq Market Center liquidity and NasdaqMAX, a package of four new data products (including Velocity and Forces) that provide a new level of transparency to trading activity in Nasdaq-listed securities. See Item 1. "Business—Products and Services" for a discussion of our proprietary data products.

Issuer Services

Corporate Client Group

The Corporate Client Group provides customer support services and products to Nasdaq-listed companies and is responsible for obtaining new listings on The Nasdaq Stock Market. We charge issuers an initial listing fee, a fee for listing of additional shares and an annual fee. The initial listing fee for securities listed on The Nasdaq Stock Market includes a listing application fee and a total shares outstanding fee. The fee for listing of additional shares is based on the total shares outstanding, which we review quarterly. Annual fees for securities listed on The Nasdaq Stock Market are based on total shares outstanding. In the beginning of 2005, Nasdaq increased the amount of its annual fees for both The Nasdaq National Market and The Nasdaq Capital Market in a range of approximately 14.0% to 31.0%. Initial listing and listing of additional shares fees are recognized on a straight-line basis over estimated service periods, which are six and four years, respectively, based on our historical listing experience, pursuant to the requirements of SEC Staff Accounting Bulletin Topic 13: Revenue

Recognition, or SAB Topic 13. In February 2007, the SEC approved a new pricing structure for our annual listing fees. This new schedule generally increases the annual and listing of additional shares fees listed companies pay to us, as well as the initial listing fee to list on The Nasdaq Capital Market.

In the first quarter of 2006, we announced the creation of The Nasdaq Global Select Market, a new listing tier with the highest initial listing standards in the world. The Nasdaq Global Select Market became effective on July 3, 2006 and approximately 1,200 companies qualified for this new market tier. In conjunction with the creation of the new tier, we renamed The Nasdaq National Market, The Nasdaq Global Market. The Nasdaq Capital Market was not renamed. All three market tiers maintain rigorous listing and corporate governance standards and issuers listing on these markets have the opportunity to leverage an array of Nasdaq corporate services.

On January 1, 2005, we purchased the remaining 50.0% interest in the Nasdaq Insurance Agency from AIG for nominal consideration. The agency provides insurance brokerage services and specializes in the director and officer liability insurance market. On October 1, 2005, we completed the acquisition of Carpenter Moore, an insurance brokerage firm specializing in management liability. The purchases of the Nasdaq Insurance Agency and Carpenter Moore provide current and future Nasdaq-listed companies and other customers with a full service corporate insurance broker offering customized risk management advice and insurance placement services. Carpenter Moore also added depth of brokerage expertise in directors and officers, errors and omissions and other management liability insurance products, and has significantly expanded regional coverage. On February 1, 2006, we completed the acquisition of Shareholder.com, a firm specializing in shareholder communications and investor relations intelligence services. Shareholder.com continues to offer its comprehensive suite of services to all publicly traded companies who wish to optimize investor relations capabilities. On September 1, 2006, we completed the acquisition of PrimeNewswire, a press release newswire services firm. PrimeNewswire further enhances Nasdaq's investor relations and corporate communications suite. Our 2006 results include activity related to Shareholder.com from February 1, 2006 through December 31, 2006 and PrimeNewswire from September 1, 2006 through December 31, 2006. Results for Carpenter Moore are included beginning October 1, 2005. See "Purchase Acquisitions and Combinations," of Note 3, "Business Combinations," to the consolidated financial statements for further discussion.

Nasdaq Financial Products

Nasdaq develops and licenses Nasdaq-branded indexes, associated derivatives and financial products as part of Nasdaq Financial Products. Nasdaq's license fees for its trademark licenses vary by product based on assets or number or underlying dollar value of contracts issued. In addition to generating licensing revenues for Nasdaq, these products, particularly mutual funds and ETFs lead to increased investments in companies listed on The Nasdaq Stock Market, which enhances our ability to attract new listings.

The recent outcome of two court cases has impacted Nasdaq's ability to collect licensing revenues beginning in the third quarter of 2006, for options on ETFs that track our indexes (such as QQQ). In September 2005, the U.S. District Court for the Southern District of New York dismissed actions brought by McGraw-Hill and Dow Jones against an options market that threatened to trade options on ETFs based on their proprietary indexes without a license. This dismissal was affirmed by the United States Court of Appeals for the Second Circuit in June 2006. The Second Circuit ruled that markets, in facilitating the trading of options on ETFs, are not misappropriating any intellectual property right of index providers. We are replacing this loss in revenues by continuing to develop, create, and license new indexes for financial instruments.

In 2007, subject to SEC approval, we plan to launch our Portal Trading System, a system allowing for online trading of securities pursuant to Rule 144A. The Portal Market will then be a comprehensive offering including capital formation, trading, data and financial products. In 2006, we continued to facilitate the processing service for Rule 144A eligible securities through Portal with nearly 2,700 applications processed.

Nasdaq's Operating Results

Key Drivers

The following table includes data showing average daily share volume in Nasdaq-listed securities and the percentage of share volume of Nasdaq- NYSE- and AMEX-listed securities reported to The Nasdaq Market Center. In addition, the table shows drivers for our Issuer Services segment. In evaluating the performance of our business, our senior management closely watches these key drivers.

	Year Ended December 31,		
	2006	2005	2004
Average daily share volume in Nasdaq securities (in billions)	2.01	1.80	1.81
Matched market share in Nasdaq securities [1]	48.5%	28.1%	17.1%
Touched market share in Nasdaq securities [2]	55.1%	32.7%	19.9%
Total market share in Nasdaq securities [3]	77.2%	57.0%	51.3%
Matched market share in NYSE securities [1]	10.4%	4.2% [6]	NA
Touched market share in NYSE securities [2]	24.2%	10.8% [6]	NA
Total market share in NYSE securities [3]	25.8%	17.6%	13.7%
Total market share in Amex securities [3]	46.4%	32.4%	30.3%
Initial public offerings	137	126	148
Secondary offerings	214	222	233
New listings [4]	285	269	260
Number of listed companies [5]	3,193	3,208	3,271

(1) Transactions executed on Nasdaq's systems.

(2) Transactions executed on Nasdaq's systems and routed to other external venues.

(3) Transactions executed on Nasdaq's systems and internal trades reported to Nasdaq.

(4) New listings includes initial public offerings, including those completed on a best efforts basis, issuers' listing structured products, closed-end funds, issuers that switched from other listing venues and beginning September 30, 2006, separately listed ETFs.

(5) Beginning September 30, 2006 number of listed companies also includes separately listed ETFs.

(6) Includes activity from INET as if the acquisition occurred on January 1, 2005.

NA Not available.

Segment Operating Results

Of our total 2006 revenues of $1,657.8 million, 84.9% was from our Market Services segment and 15.1% was from our Issuer Services segment. Of our total 2005 revenues of $879.9 million, 74.3% was from our Market Services segment and 25.7% was from our Issuers Services segment. Of our total 2004 revenues of $540.4 million, 61.9% was from our Market Services segment and 38.1% was from our Issuers Services segment.

The following table shows our total revenues by segment, cost of revenues and gross margin:

	Year Ended December 31,			Percentage Change	
	2006	2005	2004	2006 vs. 2005	2005 vs. 2004
		(in millions)			
Market Services	$1,408.3	$ 653.6	$334.5	#	95.4%
Issuer Services	249.0	226.1	205.8	10.1%	9.9%
Other	0.5	0.2	0.1	#	#
Total revenues	$1,657.8	$ 879.9	$540.4	88.4%	62.8%
Cost of revenues	(970.4)	(353.9)	(55.8)	#	#
Gross margin	$ 687.4	$ 526.0	$484.6	30.7%	8.5%

# Denotes a variance equal to or greater than 100.0%.

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MARKET SERVICES

The following table shows total revenues, cost of revenues and gross margin from Market Services:

	Year Ended December 31,			Percentage Change	
	2006	2005	2004	2006 vs. 2005	2005 vs. 2004
		(in millions)			
Nasdaq Market Center:					
Execution and trade reporting revenues [1]	$1,186.8	$ 496.1	$ 289.1	#	71.6%
Access services revenues	57.5	80.4	89.6	(28.5)%	(10.3)%
Liquidity rebates [2]	—	(35.5)	(130.1)	#	(72.7)%
Tape fee revenue sharing	(21.7)	(11.5)	(8.1)	88.7%	42.0%
Nasdaq General Revenue Sharing Program	(0.2)	(0.4)	(2.3)	(50.0)%	(82.6)%
Total Nasdaq Market Center revenues	1,222.4	529.1	238.2	#	#
Cost of revenues					
Liquidity rebates [2]	(644.9)	(255.5)	(38.1)	#	#
Brokerage, clearance and exchange fees [1]	(325.5)	(98.4)	(17.7)	#	#
Total cost of revenues	(970.4)	(353.9)	(55.8)	#	#
Gross margin from Nasdaq Market Center	252.0	175.2	182.4	43.8%	(3.9)%
Nasdaq Market Services Subscriptions:					
Proprietary Revenues [3]	68.1	30.2	25.7	#	17.5%
Non-proprietary revenues [3]	130.7	157.4	157.3	(17.0)%	0.6%
Nasdaq Revenue Sharing Programs	(9.9)	(5.5)	(17.8)	80.0%	(69.1)%
UTP Plan revenue sharing	(35.6)	(77.9)	(79.4)	(54.3)%	(1.9)%
Total Nasdaq Market Services Subscriptions revenues	153.3	104.2	85.8	47.1%	21.4%
Other Market Services revenues	32.6	20.3	10.5	60.6%	93.3%
Gross margin from Market Services	$ 437.9	$ 299.7	$ 278.7	46.1%	7.5%

# Denotes a variance equal to or greater than 100.0%.

(1) Includes Section 31 fees of $170.6 million in 2006, $29.3 million in 2005 and $1.7 million in 2004. The increase in 2006 is primarily due to a full year of INET's operations compared with less than one month in 2005 and fees collected as a result of Nasdaq's operation as a national securities exchange, beginning August 1, 2006 for Nasdaq-listed securities. The increase in 2005 compared with 2004 is due to a full year of Brut's operations compared with less than four months in 2004.

(2) See footnote 1 of Item 6. "Selected Consolidated Financial Data," for discussion of change in reporting liquidity rebates.

(3) In the third quarter of 2006, Nasdaq began reporting Nasdaq Market Services Subscriptions revenues as proprietary and non-proprietary revenues. Prior to the third quarter of 2006, Nasdaq reported revenues from both proprietary and non-proprietary products as Nasdaq Market Services Subscriptions revenues. Revenues from non-proprietary products are eligible UTP Plan revenues which are shared among UTP Plan participants and include revenues from Level 1. Prior to the second quarter of 2006, non-proprietary revenues also included NQDS. However, effective February 7, 2006, Nasdaq is no longer required to share revenues from NQDS thereby reducing non-proprietary revenues and the amount of revenue shared with UTP Plan participants. Proprietary revenues now include NQDS revenues as well as revenues from TotalView, our flagship market depth quote product and other proprietary services and data feed products.

Nasdaq Market Center

Execution and trade reporting revenues increased in 2006 compared with 2005 and in 2005 compared with 2004. The increase in 2006 was primarily due to the inclusion of INET's results as well as increases in market share for NYSE- and Amex-listed securities and increases in average daily share volume. In February 2006, we harmonized our pricing on Nasdaq-listed securities across all of our venues and introduced new pricing on

NYSE-listed securities, which further contributed to the increase in revenues. The Nasdaq-listed pricing increased the execution fees for Brut and Nasdaq's legacy execution systems, but decreased the execution fees for INET. Also, as discussed above, effective August 1, 2006, as a result of Nasdaq's operation as a national securities exchange additional Section 31 fees were recorded as execution and trade reporting revenues with a corresponding amount recorded as cost of revenues. Since the amount recorded in revenues is equal to the amount recorded in cost of revenues, there is no impact on Nasdaq's gross margin or net income. Section 31 fees were $170.6 million in 2006, $29.3 million in 2005 and $1.7 million in 2004. The increase in 2006 is primarily due to a full year of INET's operations compared with less than one month in 2005 and the fees collected as a result of Nasdaq's operation as a national securities exchange. The increase in 2005 compared with 2004 is due to a full year of Brut's operations compared with less than four months in 2004.

The increase in 2005 of execution and trade reporting revenues was primarily due to increases in trade execution market share for Nasdaq-, NYSE- and Amex-listed securities, an increase in the percentage of share volume reported to Nasdaq's systems (despite a decrease in average daily share volume) and additional trading activity due to the acquisitions of Brut and INET. In 2004, Brut results were included beginning September 7, 2004, compared with a full year of operations in 2005. Partially offsetting these increases were decreases in trade reporting and fee reductions for The Nasdaq Market Center introduced in 2004. Despite this increase in execution and trade reporting revenues, gross margin from The Nasdaq Market Center decreased in 2005 compared with 2004 due to increases in the amount that Nasdaq rebated as a result of the increases from Brut activity, additional INET activity and an increase in market share.

Access services revenues decreased in 2006 compared with 2005 and in 2005 compared with 2004 primarily due to the retirement of our legacy access services products and associated proprietary network in the fourth quarter of 2005, when we completed the transition to the new Nasdaq Workstation. Beginning in 2005, we migrated users away from our legacy access services products towards our new QIX protocol, FIX connectivity and new Nasdaq Workstation, all of which operate over third-party networks. By doing so, we were able to reduce our technology and network costs and increase our systems' scalability without affecting performance or reliability. The revenues for these discontinued products totaled $58.3 million in 2005 and $74.1 million in 2004. Expenses related to the discontinued products were $46.5 million in 2005 and $94.3 million in 2004. The industry standards and third-party products are more efficient and cost effective but produce lower revenues. However, these products contribute more to our operating results than our legacy access services products. Also contributing to the decrease in 2005 compared with 2004 were continued market participant consolidations. Partially offsetting the decrease in 2006, were access services revenues from INET and the new Nasdaq Workstation and increased revenues from FIX and QIX.

We share tape fee revenues from NYSE- and Amex-listed securities through The Nasdaq Market Center tape fee revenue sharing. We earn tape fee revenues from NYSE- and Amex-listed securities based upon both the percentage of trades reported to The Nasdaq Market Center for securities listed on these exchanges and the size of NYSE and Amex revenue sharing pools. The increases in 2006 compared with 2005 and 2005 compared with 2004 were primarily due to an increase in trade execution market share in both NYSE- and Amex-listed securities. In 2006, the increase in trade execution market share was partially offset by amounts retained that pre-acquisition were shared with INET, and pricing changes in February 2006 which eliminated certain trades from being eligible for revenue sharing.

The Nasdaq Market Center shared revenues under the Nasdaq General Revenue Sharing Program through the second quarter of 2006. This discretionary program required us to share operating revenue, which is interpreted to mean net revenue after expenses from all services that derive revenue, from member trading and trade reporting activity in Nasdaq-listed securities. The program was designed to provide an incentive for quoting market participants to send orders and report trades to The Nasdaq Market Center. Under a new program introduced in the third quarter of 2006, we have refocused the revenue sharing program to trades that are reported to the TRF. The total amount of revenue shared with market participants has decreased in 2006 and 2005. See Nasdaq Market Services Subscriptions below for further discussion of the revenue sharing programs.

The Nasdaq Market Center liquidity rebates, in which we credit a portion of the per share execution charge to the market participant that provides the liquidity, increased in 2006 compared with 2005 and in 2005 compared with 2004. The 2005 comparison includes $35.5 million and the 2004 comparison includes $130.1 million recorded net in total revenues which was before Nasdaq's Limitation of Liability Rule. The increase in liquidity rebates in 2006 was primarily due to the inclusion of INET's results for a full year of operations as well as an increases in average daily share volume and increases in trade execution market share for NYSE- and Amex-listed securities. In February 2006, we harmonized our pricing for all of our venues, which increased the per share liquidity rebates for INET, but decreased the per share liquidity rebates for Brut and Nasdaq's legacy execution system. Also beginning February 2006, we began paying rebates on NYSE- and Amex-listed securities. The increase in 2005 compared with 2004 was primarily due to a full year of Brut's operations compared with four months in 2004, additional activity from INET's operations and increases in market share.

Brokerage, clearance and exchange fees are additional cost of revenues for the Brut and INET platforms and beginning August 1, 2006, for Nasdaq's legacy execution system. The increase in brokerage, clearance and exchange fees for 2006 compared with 2005 was primarily due to the inclusion of INET's results for a full year as well as increases in average daily share volume and increases in trade execution market share for NYSE- and Amex-listed securities and additional Section 31 fees due to Nasdaq's operations as an exchange. As noted above, effective August 1, 2006, as a result of Nasdaq's operations as an exchange, additional Section 31 fees were recorded as execution and trade reporting revenues as well as a corresponding cost of revenues. The increase in brokerage, clearance and exchange fees for 2005 compared with 2004 was due to a full year of Brut's operations, additional activity from INET's operations and increases in market share.

Nasdaq Market Services Subscriptions

Proprietary revenues increased in 2006 compared with 2005 and in 2005 compared with 2004. The increase in 2006 was primarily due to the classification change of NQDS revenues as non-proprietary to proprietary. As discussed above, effective February 7, 2006, Nasdaq is no longer required to share revenues from NQDS. Also contributing to the increase in 2006 was an increase in TotalView subscribers and related revenues and a price increase for MFQS due to functionality improvements. Partially offsetting these increases was a reduction in OTCBB revenues related to the transfer of the OTCBB back to NASD. The increase in proprietary revenues in 2005 compared with 2004 was primarily due to an increase in TotalView subscribers and the launch of OpenView in January 2005.

Non-proprietary revenues decreased in 2006 compared with 2005 primarily due to the classification change of NQDS revenues as discussed above. Partially offsetting this decrease was an increase in the number of Level 1 non-professional users and an audit of data usage by a major market distributor in the first quarter of 2006. Non-proprietary revenues were relatively flat in 2005 compared with 2004 as the number of Level 1 and NQDS subscriptions remained relatively flat year over year.

We also share Market Services Subscriptions revenues under revenue sharing programs. Prior to the third quarter of 2006, we shared Nasdaq Market Services Subscriptions revenues under the Nasdaq General Revenue Sharing Program. Effective July 1, 2006, we changed the terms of this program and under the new Nasdaq Data Revenue Sharing Program, now share 50.0% of internal trades reported to us. The amount of Nasdaq Market Services Subscriptions revenues shared under Nasdaq's revenue sharing programs increased in 2006 compared with 2005 and decreased in 2005 compared with 2004 primarily due to changes in the amount shared under the programs.

Nasdaq also shares tape fee revenues for Nasdaq-listed securities through the UTP Plan. Under the revenue sharing provision of the UTP Plan, we are permitted to deduct costs associated with acting as the exclusive Securities Information Processor from the total amount of tape fees collected. After these costs are deducted from the tape fees, we distribute to the respective UTP Plan participants, including Nasdaq, their share of tape fees based on a combination of their respective trade volume and share volume. Our tape fee revenue sharing

allocated to UTP Plan participants decreased in 2006 compared with 2005 and in 2005 compared with 2004. The decrease in 2006 was primarily due to an increase in our UTP market share primarily due to the INET acquisition which resulted in INET trades being reported to us in 2006, decreasing the amount Nasdaq shared with UTP participants. Also, as discussed above Nasdaq is no longer required to share revenues from NQDS thereby reducing the amount of revenue shared with UTP Plan participants. The decrease in UTP Plan revenue sharing in 2005 compared with 2004 was primarily due to a stronger market share resulting from including Brut trade reporting activity for a full year, decreasing the amount Nasdaq shared with UTP participants. Brut began to report its trades to The Nasdaq Market Center on September 1, 2004. Partially offsetting the stronger market share in 2005 was a reduction in the costs of operating the Securities Information Processor and administering the UTP Plan. Due to significant cost reduction efforts within Nasdaq, Nasdaq has been able to reduce the costs of those activities, to the benefit of all UTP Plan exchanges that trade Nasdaq-listed securities, which resulted in an increase in net shareable income.

Other Market Services

Other Market Services revenues increased in 2006 compared with 2005 and in 2005 compared with 2004. These increases were primarily due to a contract between NASD and Nasdaq for the operations of the OTCBB, which took effect on October 1, 2005. We transferred responsibility for the OTCBB back to NASD, but agreed to continue to operate the OTCBB on a contract basis for two years, subject to renewals. Also contributing to the increase in 2005 was the receipt of revenues from NASD for technology and development support services that we provide to NASD for a fixed income trade reporting platform beginning November 1, 2004. Nasdaq entered into a new contract with NASD in November 2004 for the technology and development support services. See Note 13, "Related Party Transactions," to the consolidated financial statements for further discussion.

ISSUER SERVICES

The following table shows the revenues from our Issuer Services segment:

	Year Ended December 31,			Percentage Change	
	2006	2005	2004	2006 vs. 2005	2005 vs. 2004
		(in millions)			
Issuer Services:					
Corporate Client Group	$209.5	$187.6	$165.3	11.7%	13.5%
Nasdaq Financial Products	39.5	38.5	40.5	2.6%	(4.9)%
Total Issuer Services revenues	$249.0	$226.1	$205.8	10.1%	9.9%

Corporate Client Group

The following table shows our revenues from the Corporate Client Group as reported in accordance with GAAP ("as reported") and as would be reported on a non-GAAP basis ("billed basis"). We believe that the presentation of billed basis revenues, as they relate to listing of additional shares and initial listing fees, is a good indicator of current Corporate Client Group activity as billed basis information excludes the effects of recognizing revenues related to initial listing fees and listing of additional shares fees over the six and four year periods, respectively.

	Year Ended December 31,					
	2006		2005		2004	
	As Reported	Billed Basis	As Reported	Billed Basis	As Reported	Billed Basis
			(in millions)			
Annual renewal fees	$ 107.9	$107.9	$ 107.8	$107.8	$ 91.4	$ 91.4
Listing of additional shares fees	36.9	36.0	37.6	37.4	36.8	45.9
Initial listing fees	23.2	24.5	29.2	24.5	31.1	27.1
Corporate Client services	41.5	41.5	13.0	13.0	6.0	6.0
Total Corporate Client Group revenues	$ 209.5	$209.9	$ 187.6	$182.7	$ 165.3	$170.4

	Percentage Change			
	2006 vs. 2005		2005 vs. 2004	
	As Reported	Billed Basis	As Reported	Billed Basis
Annual renewal fees	0.1%	0.1%	17.9%	17.9%
Listing of additional shares fees	(1.9)%	(3.7)%	2.2%	(18.5)%
Initial listing fees	(20.5)%	—	(6.1)%	(9.6)%
Corporate Client services	#	#	#	#
Total Corporate Client Group revenues	11.7%	14.9%	13.5%	7.2%

# Denotes a variance equal to or greater than 100.0%.

Corporate Client Group revenues are primarily derived from fees for annual renewals, listing of additional shares and initial listings for companies listed on The Nasdaq Stock Market and from Corporate Client services. Fees are generally calculated based upon total shares outstanding for the issuing company. These fees are initially deferred and amortized over the estimated periods for which the services are provided. Revenues from annual renewal fees are amortized on a pro-rata basis over the calendar year and initial listing fees and listing of additional shares fees are amortized over six and four years, respectively. The difference between the as reported revenues and the billed basis revenues is due to the amortization of fees in accordance with GAAP. See Note 8, "Deferred Revenue," to the consolidated financial statements for further discussion. Corporate Client services revenues includes revenues from the Nasdaq Insurance Agency beginning January 1, 2005, Carpenter Moore beginning October 1, 2005, Shareholder.com beginning February 1, 2006, PrimeNewswire beginning September 1, 2006 and other sources for all periods presented.

Annual renewal fees on both an as reported and billed basis were flat in 2006 compared with 2005 and increased in 2005 compared with 2004. The number of companies listed on The Nasdaq Stock Market on January 1, 2006 was 3,208 and 3,271 on January 1, 2005, the date on which listed companies are billed their annual fees. The decrease in the number of listed companies in 2005 was due to 332 delistings by Nasdaq during 2005, partially offset by 269 new listings in 2005. Primarily offsetting the decrease in the number of listed companies was an increase in the average total shares outstanding for The Nasdaq Global Select Market and The Nasdaq Global Market, which increased the annual renewal fees billed. The increase in 2005 was primarily due to an increase in the annual renewal fees in 2005 for both The Nasdaq National Market and The Nasdaq Capital Market in the range of approximately 14.0% to 31.0%. A decrease in the number of companies listed on The Nasdaq Stock Market partially offset the increase in fees in 2005. There were 3,333 companies listed on The Nasdaq Stock Market on January 1, 2004 compared with 3,271 on January 1, 2005. The decrease in the number of listed companies in 2004 was due to 322 issuers delisted by Nasdaq during 2004, partially offset by 260 new listings in 2004. The delistings in 2005 and 2004 were primarily a result of mergers and acquisitions, but were also because of companies' failure to meet our listing standards.

Listing of additional shares fees on both an as reported and billed basis decreased in 2006 compared with 2005. The billed basis decrease was primarily due to a decline in secondary offerings. There were 214 secondary offerings in 2006 as compared to 222 secondary offerings in 2005. Listing of additional shares fees, on an as reported basis increased and on a billed basis decreased in 2005 compared with 2004. The billed basis decrease in 2005 was primarily due to a decline in secondary offerings as well as the size of the respective offerings. There were 222 secondary offerings in 2005 as compared to 233 secondary offerings in 2004.

Initial listing fees, on an as reported basis, decreased and on a billed basis, remained flat in 2006 compared with 2005. Initial listing fees, on both an as reported and billed basis decreased in 2005 compared with 2004. The billed basis decrease in 2005 was primarily due to a decline in the number of initial public offerings. Also, contributing to the decrease in 2005 was the elimination of entry fees in 2005 for companies that switched to The Nasdaq National Market or The Nasdaq Capital Market from other exchanges and a decline in the number of companies that switched between The Nasdaq National Market and The Nasdaq Capital Market. Listed-companies are charged an entry fee for switching between the two Nasdaq markets. There were 285 new listings,

including 137 new initial public offerings, during 2006 compared with 269 new listings, including 126 new initial public offerings, during 2005. There were 260 new listings, including 148 new initial public offerings, during 2004.

Corporate Client services revenues on both an as reported and billed basis increased in 2006 compared with 2005 and in 2005 compared with 2004 primarily due to revenues generated from recent acquisitions of the remaining interest in the Nasdaq Insurance Agency, Carpenter Moore, Shareholder.com and PrimeNewswire.

Nasdaq Financial Products

The following table shows revenues from Nasdaq Financial Products:

	Year Ended December 31,			Percentage Change	
	2006	2005	2004	2006 vs. 2005	2005 vs. 2004
		(in millions)			
Licensing revenues	$ 34.2	$ 34.5	$ 36.7	(0.9)%	(6.0)%
Other revenues	5.3	4.0	3.8	32.5%	5.3%
Total Nasdaq Financial Products revenues	$ 39.5	$ 38.5	$ 40.5	2.6%	(4.9)%

Licensing revenues decreased in 2006 compared with 2005 and in 2005 compared with 2004. The decrease in 2006 compared with 2005 was primarily due to a decline in licensing fees associated with options traded on ETFs based on Nasdaq indexes. Recent court decisions have impacted our ability to collect licensing revenues for options on ETFs that track our indexes (such as QQQ). See Sources of Revenues—Issuer Services—Nasdaq Financial Products, for further discussion. Partially offsetting the decrease in 2006 was higher volume activity for both derivative and third party products as well as increases in third party assets under management. The decrease in 2005 was primarily due to reduced licensing revenues related to the QQQ as a result of its listing moving from Amex to The Nasdaq Stock Market in the fourth quarter of 2004.

Other revenues increased in 2006 compared with 2005 and in 2005 compared with 2004. Nasdaq Financial Products, through its Portal Market, facilitates the eligibility for clearing and settlement services at DTCC of Portal/Rule 144A securities. The increase in other revenues in 2006 was primarily due to an increase in the number of applications seeking Portal designation.

Expenses

Direct Expenses

The following table shows our direct expenses:

	Year Ended December 31,			Percentage Change	
	2006	2005	2004	2006 vs. 2005	2005 vs. 2004
		(in millions)			
Compensation and benefits	$ 195.7	$ 152.1	$ 148.2	28.7%	2.6%
Marketing and advertising	20.5	9.0	12.8	#	(29.7)%
Depreciation and amortization	70.9	67.0	76.3	5.8%	(12.2)%
Professional and contract services	32.0	29.1	23.7	10.0%	22.8%
Computer operations and data communications	41.5	62.4	98.9	(33.5)%	(36.9)%
Provision for bad debts	0.5	3.0	1.1	(83.3)%	#
Occupancy	34.1	28.4	28.7	20.1%	(1.0)%
General, administrative and other	44.3	19.5	41.1	#	(52.6)%
Total direct expenses	$ 439.5	$ 370.5	$ 430.8	18.6%	(14.0)%

# Denotes a variance greater than 100.0%.

Compensation and benefits expense increased in 2006 compared with 2005 and in 2005 compared with 2004 primarily due to our acquisitions of the remaining 50.0% interest in the Nasdaq Insurance Agency, Carpenter Moore and INET in 2005 and Shareholder.com and PrimeNewswire in 2006. Headcount increased from 786 employees on December 31, 2004 to 865 employees at December 31, 2005 to 904 employees at December 31, 2006 primarily from our acquisitions, partially offset by reductions in force as a result of our cost reduction plan. Also contributing to the increase in 2006 compared with 2005 was share-based compensation expense of $9.9 million recognized under SFAS No. 123 (revised 2004), "Share-Based Payment," or SFAS 123(R), for 2006 compared with share-based compensation expense of $1.4 million for 2005 and $0.5 million for 2004. See "Share-Based Compensation," of Note 2, "Summary of Significant Accounting Policies," and Note 12, "Share-Based Compensation," to the consolidated financial statements for further discussion. The increases in 2006 and 2005 were also due to increased incentive compensation reflecting stronger financial performance.

Marketing and advertising expense increased in 2006 compared with 2005 and decreased in 2005 compared with 2004. The increase in 2006 was primarily due to our new advertising campaign which began in the third quarter of 2006 and costs related to our new listings and dual listing advertisements. In 2005, there was a decline in overall marketing and advertising expenditures as part of Nasdaq's cost reduction plan.

Depreciation and amortization expense increased in 2006 compared with 2005 and decreased in 2005 compared with 2004. The increase in 2006 was primarily due to intangible amortization expense on identifiable intangible assets purchased in connection with our recent acquisitions, primarily INET, as 2006 includes a full year of amortization expense compared with less than 1 month in 2005. Also contributing to the increase was additional depreciation and amortization expense due to a previous change in the estimated useful life of some of The Nasdaq Market Center assets due to the integration of Nasdaq's legacy execution system and the Brut and INET execution systems onto a single platform. These increases were partially offset by decreased depreciation expense related to other technology assets. The decrease in 2005 compared with 2004 was primarily due to declines in incremental depreciation and amortization expense on equipment associated with Nasdaq's quoting platform and its trading and quoting network as we migrated to lower cost operating environments as part of our cost reduction plan. However, as a result of the acquisition of INET, we began to migrate Nasdaq's legacy execution system to INET's trading system beginning December 8, 2005 and recorded additional amortization expense due to a change in estimated useful life of some of The Nasdaq Market Center assets, partially offsetting the decrease noted above. Also partially offsetting the decrease in 2005 was intangible amortization expense on identifiable intangible assets acquired in the INET, Brut, Nasdaq Insurance Agency and Carpenter Moore acquisitions.

Professional and contract services expense increased in 2006 compared with 2005 and in 2005 compared with 2004. The increase in 2006 was primarily due to operating costs incurred from recent acquisitions, partially offset by lower technology consulting costs. The increase in 2005 was primarily due to reduced cost reimbursements for support services from NASD related to a new contract entered into with NASD on November 1, 2004 for a fixed income trade reporting platform. See Note 13, "Related Party Transactions," to the consolidated financial statements for further discussion. Also contributing to the increase in 2005 was an increase in professional fees associated with Sarbanes-Oxley compliance due to our recent acquisitions.

Computer operations and data communications expense decreased in 2006 compared with 2005 and decreased in 2005 compared with 2004. The decreases were primarily due to lower costs associated with providing communication lines to customers due to the retirement of legacy access services products, which we discontinued as of December 31, 2005. Also contributing to the decrease in 2005 was lower costs due to the favorable renegotiation of certain maintenance contracts and hardware leases due to the planned retirement of certain equipment and our renegotiated contract with MCI effective in the second quarter of 2004. For further discussion of the discontinuation of legacy access services products, See "— Operating Results-Nasdaq Market Center."

Provision for bad debts decreased in 2006 compared with 2005 and increased in 2005 compared with 2004. The decrease in 2006 was primarily due to an increase in collections and the collection of previously reserved aged receivables. As a result of the INET acquisition, an additional bad debt reserve for INET was recorded in

2005 in order for INET to be in compliance with Nasdaq's collection history and reserve policy, which increased the provision for bad debts in 2005. An increase in collections and decreases in past due account balances partially offset the increase in 2005.

Occupancy expense increased in 2006 compared with 2005 and decreased in 2005 compared with 2004. The increase in 2006 was primarily due to additional costs from our recent acquisitions partially offset by lower rental expense due to our continued real estate consolidation plans. The decrease in 2005 was primarily due to consolidation of leased office space as part of Nasdaq's cost reduction plans.

General, administrative and other expense increased in 2006 compared with 2005 primarily due to losses incurred on the early extinguishment of debt, the refinancing of our $750.0 million senior term loan facility, a $5.9 million charge recorded on the write-down of a held-for-sale building to fair market value and a net benefit of $9.8 million recognized in 2005 related to decisions affecting our real estate plans as described below. Additionally, in 2006 we recorded charges totaling $2.2 million associated with potential fines or penalties for Brut's obligations regarding short sales, firm quotes and other reporting and disclosure requirements. In connection with the early extinguishment of the $750.0 million senior term loan facility issued in December 2005, which was refinanced in April 2006, we recorded a charge of $12.3 million for the amortization of debt issuance costs. Additional losses totaling $9.7 million for the amortization of debt issuance costs were recorded on the early extinguishment of portions of the $1.1 billion secured term loan facility of our April 2006 Credit Facility (see Note 9, "Debt Obligations," to the consolidated financial statements) which was repaid in May 2006 as a result of our equity offering and in November 2006 with excess cash flow. In 2005, we also had a $7.4 million loss on the restructuring of the $240.0 million convertible notes. These increases were partially offset by a realized foreign currency gain related to our investment in the LSE of $8.2 million.

General, administrative and other expense decreased in 2005 compared with 2004 which was primarily due to decisions affecting Nasdaq's real estate. In 2004, Nasdaq recorded sublease losses totaling $17.1 million primarily for expansion space at Nasdaq's headquarters located in New York which Nasdaq's management did not intend to occupy. However, as a result of the acquisition of INET, Nasdaq now occupies the expansion space for INET operations and recorded a release of the sublease loss reserve of $12.1 million, net of rental payments, in the fourth quarter of 2005. Nasdaq released a sublease loss reserve of $1.9 million, net of rental payments, in the third quarter of 2004, on leased property in Rockville, Maryland. Nasdaq management re-evaluated its decision to vacate this space and decided instead to sell a building owned by Nasdaq. We recorded a charge of $7.4 million in the fourth quarter of 2004 for the write-down of this building to fair market value. Nasdaq began marketing the building for sale in the fourth quarter of 2004 and completed the sale of the building in June 2005. Further contributing to the decrease in general and administrative expense was a $2.6 million loss recorded in the fourth quarter of 2004 on a lease transaction for certain of Nasdaq's technology equipment. Partially offsetting the decrease was a $1.8 million charge recorded in the third quarter of 2005 for the change in the fair market value on the amount of additional payment to NASD for Nasdaq's Series C Cumulative preferred stock, a $7.4 million loss recorded on the restructuring of the $240.0 million convertible notes in April 2005 in connection with the financing of the INET acquisition and a $1.1 million loss recorded on the early extinguishment of Nasdaq's $25.0 million senior notes also in connection with the financing of the INET acquisition. See Note 3, "Business Combinations," Note 5, "2006, 2005 and 2004 Cost Reduction Program, INET Integration and Strategic Review," Note 9, "Debt Obligations," and Note 13, "Related Party Transactions," to the consolidated financial statements for further discussion.

Support Costs From Related Parties, net

Support costs from related parties, net were $33.8 million in 2006 compared with $41.8 million in 2005, a decrease of 19.1%, and were $45.6 million in 2004, a decrease of 8.3% in 2005 compared with 2004. These decreases were primarily due to the transfer of ownership of the OTCBB to NASD which reduced the associated regulatory costs. Also contributing to the decreases was a reduction in surveillance and other regulatory charges from NASDR primarily due to NASD's review and allocation of expenses among the markets and members it regulates. After December 20, 2006, NASD is no longer a related party. See Note 1, "Organization and Nature of Operations," to the consolidated financial statements for further discussion.

Net Interest Expense

Net interest expense was $66.5 million in 2006 compared with $7.6 million in 2005 and $5.6 million in 2004, an increase of 35.7% in 2005 compared with 2004. The increase in 2006 was primarily due to additional interest expense on the April 2006 Credit Facility and the Credit Facilities (see Note 9, "Debt Obligations," to the consolidated financial statements) resulting from the purchase of issued share capital of the LSE. For 2006, the increase was also due to additional interest expense from our $205 million convertible notes issued in April 2005 and from our $750 million senior term loan facility issued in December 2005 to finance the INET acquisition, partially offset by a lower interest coupon rate on our $240 million convertible notes. For 2006, we recorded higher interest income due to higher cash balances and interest rates, which partially offset the increase in net interest expense.

The increase in 2005 was primarily due to additional interest expense from our $205.0 million convertible notes issued in April 2005 and from our $750.0 million senior term loan facility issued in December 2005, in connection with the financing of the INET acquisition. We recorded interest expense on the $750.0 million senior term loan facility since the date of the INET acquisition, December 8, 2005, through December 31, 2005. The increase was partially offset by interest income earned on the proceeds from the issuance of the $205.0 million convertible notes, which was held in a restricted cash account from April 22, 2005 through December 8, 2005, and a lower interest coupon rate on the $240.0 million convertible notes. See Note 3, "Business Combinations," and Note 9, "Debt Obligations," to the consolidated financial statements for further discussion.

Dividend Income

Dividend income was $16.2 million in 2006 and represents ordinary dividends from our investment in the LSE in the second and fourth quarters of 2006. In order to hedge our foreign currency exposure on our fourth quarter dividend receivable from the LSE, we entered into a foreign currency forward contract. See Note 16, "Fair Value of Financial Instruments," to the consolidated financial statements for further discussion. We received the cash for the dividend declared in the fourth quarter of 2006 in January 2007.

Gain on Foreign Currency Option Contracts

The unrealized gain on foreign currency option contracts was $48.4 million in 2006 and represents the gain on the mark-to-market of pound sterling option contracts purchased in the fourth quarter of 2006 in order to hedge the foreign exchange exposure on our acquisition bid for the LSE. This position is marked-to-market at each reporting period resulting in gains and losses, which are included in net income. See Note 16, "Fair Value of Financial Instruments," for further discussion.

In conjunction with the lapse of our final offer for the LSE, we traded out of these foreign currency option contracts in February 2006. Due to the improving exchange rate of the dollar when compared to the pound sterling, we recorded a pre-tax loss of approximately $7.8 million on these foreign currency option contracts in the first quarter of 2007. The cumulative realized pre-tax gain on the foreign currency option contracts is approximately $40.6 million.

Minority Interest

Minority interest was $0.9 million in 2006 compared with $0.2 million in 2005. We began recording minority interest for Reuters' minority investment in the Independent Research Network, a joint venture created to help public companies obtain independent analyst coverage, beginning in the third quarter of 2005.

Income Taxes

Nasdaq's income tax provision was $85.2 million in 2006 compared with $44.6 million in 2005, an increase of 91.0%, and was $0.7 million in 2004. The overall effective tax rate was 40.0% in 2006, 41.9% in 2005 and

29.3% in 2004. The higher effective tax rate in 2005 when compared to 2006 and 2004 was primarily due to a loss on the restructuring of the $240.0 million convertible notes, a portion of which is not deductible for U.S. income tax purposes due to the conversion feature. In addition, in 2004 the effective tax rate was reduced by the realization of research and development tax credits as well as a reduction of a valuation allowance related to a foreign net operating loss carryforward.

The effective tax rate may vary from period to period depending on, among other factors, the geographic and business mix of earnings and losses. These same and other factors, including history of pre-tax earnings and losses, are taken into account in assessing the ability to realize deferred tax assets.

In June 2006, the FASB issued a new interpretation of accounting for uncertainty in income taxes. See Future Accounting Requirements below for further discussion.

Discontinued Operations

During the second quarter of 2003, we announced the results of a strategic review of our operations designed to position us for improved profitability and growth. This strategic review included the elimination of non-core product lines and initiatives and resulted in a reduction in our workforce.

As a result of the strategic review, Nasdaq supported the closing of the market operated by Nasdaq Europe S.A./N.V. and reached an agreement to transfer all of Nasdaq's shares in Nasdaq Europe to one of that company's original investors. Following the transfer of Nasdaq's interest in Nasdaq Europe, results from this subsidiary were reclassified as discontinued operations in Nasdaq's Consolidated Statements of Income.

As part of the transaction, Nasdaq Europe's new owner committed to seek to restructure the company's obligations and, in that context, to request from certain major creditors releases of any claims they might have against Nasdaq Europe's former directors, officers and shareholders (if such claims are related to Nasdaq's prior ownership interest in Nasdaq Europe). Nasdaq recorded liabilities of $15.1 million that management believed were sufficient to satisfy any potential claims against Nasdaq. In the fourth quarter of 2004, Nasdaq was provided evidence that these claims (related to Nasdaq's prior ownership interest in Nasdaq Europe) of certain creditors were satisfied or settled without any liability for Nasdaq and released the $15.1 million reserve it maintained in connection with such claims and liabilities. The release of the reserve was recorded as income from discontinued operations in the Consolidated Statements of Income, net of taxes of $5.6 million.

Liquidity and Capital Resources

We require cash to pay our operating expenses, make capital expenditures and service our debt and other long-term liabilities. Our principal source of funds is cash from our operations. We also have a $75.0 million revolving credit facility under our Credit Facilities to borrow funds. In addition, we have obtained funds by selling our common stock in the capital markets. In the near term, we expect that our operations will provide sufficient cash to fund our operating expenses, capital expenditures and interest payments on our debt. In the long-term, we may use both internally generated funds and external sources to satisfy our debt and other long-term liabilities.

Principal factors that could affect the availability of our internally-generated funds include:

- deterioration of our revenues in either of our business segments,
- changes in our working capital requirements, and
- an increase in our expenses.

Principal factors that could affect our ability to obtain cash from external sources include:

- financial covenants contained in our Credit Facilities that limit our total borrowing capacity,

- increases in interest rates applicable to our floating rate term debt,
- credit rating downgrades, which could limit our access to additional debt,
- a decrease in the market price of our common stock, and
- volatility in the public equity markets.

The following sections discuss the effects of changes in our cash flows, capital requirements and other commitments on our liquidity and capital resources.

Cash and Cash Equivalents and Investments and Changes in Cash Flows

The following tables summarize our cash and cash equivalents and investments and changes in cash flows:

	December 31, 2006	December 31, 2005	Percentage Change
	(in millions)		
Cash and cash equivalents	$ 322.0	$ 165.2	94.9%
Available-for-sale investments, at fair value [1]	1,628.2	179.4	#
Total	$ 1,950.2	$ 344.6	#

\# Denotes a variance greater than 100.0%.

[1] Available-for-sale investments include our $1.6 billion investment in the LSE.

	Year Ended December 31,			Percentage Change	
	2006	2005	2004	2006 vs. 2005	2005 vs. 2004
		(in millions)			
Cash provided by operating activities	$ 201.1	$ 120.9	$ 117.0	66.3%	3.3%
Cash used in investing activities	(1,274.4)	(953.4)	(201.3)	33.7%	#
Cash provided by (used in) financing activities	1,230.1	939.5	(6.5)	30.9%	#

\# Denotes a variance greater than 100.0%.

Cash and cash equivalents and available-for-sale investments. Cash and cash equivalents and available-for-sale investments increased from 2005 primarily as a result of our investment in the LSE, the receipt of funds from Nasdaq's equity offerings in the first quarter of 2006 and May 2006, the receipt of a capital return and ordinary dividends relating to our LSE investment, the receipt of net proceeds from the sale of real estate, the collection of Section 31 fees and positive cash flow. These increases were partially offset by cash used to purchase our stake in the LSE, redeem our Series C Cumulative preferred stock, pay debt obligations, purchase foreign currency option contracts to hedge our acquisition bid for the LSE and acquire Shareholder.com and PrimeNewswire.

Changes in Cash Flows

Cash provided by operating activities. The following items impacted our cash provided by operating activities for the year ended December 31, 2006:

- Net income of $127.9 million.
- Non-cash charges of approximately $49.4 million, comprised primarily of depreciation and amortization of $70.9 million and loss on the early extinguishment and refinancing of debt obligations of $22.0 million, partially offset by a gain on foreign currency option contracts of $48.4 million.
- Increase in other operating liabilities of $36.7 million, mainly due to an increase in accounts payable and accrued expenses and other accrued liabilities of $47.2 million due to the recording of

additional Section 31 fees in connection with Nasdaq's operations as an exchange and the inclusion of payables to NASD as third party payables at December 31, 2006. Partially offsetting the increase in operating liabilities was a decrease in accrued personnel costs, payables to related parties and other liabilities totaling $10.5 million due to timing of payments.

During 2005, the following items impacted our cash provided by operating activities:

- Net income of $61.7 million.
- Non-cash charges of approximately $63.2 million, comprised primarily of depreciation and amortization of $67.0 million.
- Increase in other operating liabilities of $20.0 million, mainly due to an increase in accounts payable and accrued expenses and payables to related parties of $35.6 million due to timing of payments, partially offset by a decrease in accrued personnel costs, other accrued and other liabilities totaling $15.6 million. Partially offsetting the increase in operating liabilities was a decrease in other assets of $21.8 million.

We expect that cash provided by operating activities may fluctuate in future periods as a result of a number of factors, including fluctuations in our operating results, accounts receivable collections, share-based compensation and the timing and amount of other payments that we make.

Cash used in investing activities. The increase in cash used in investing activities in 2006 compared with 2005 is primarily attributable to purchases of available-for-sale investments, including our purchase of LSE shares, purchase of foreign currency option contracts to hedge our acquisition bid for the LSE, and our acquisitions of Shareholder.com and PrimeNewswire, partially offset by proceeds from redemptions and maturities of available-for-sale investments and from the sale of our building in Connecticut. The increase in cash used in investing activities in 2005 compared with 2004 was primarily due to our acquisitions of INET and Carpenter Moore, partially offset by proceeds from the sale of our building in Maryland. In 2004, cash used in investing activities was primarily attributed to our acquisition of Brut.

Cash provided by financing activities. Cash provided by financing activities increased in 2006 compared with 2005 primarily because of the proceeds we received from debt obligations and the net proceeds from our equity offerings in the first quarter of 2006 and May 2006, partially offset by funds used for payments of debt obligations and the redemption of our Series C Cumulative preferred stock. The increase in cash used in financing activities in 2005 compared with 2004 was primarily due to proceeds we received from debt obligations, which we used to finance the acquisition of INET and was partially offset by funds used for payments of the partial redemption of our Series C Cumulative preferred stock.

Capital Resources and Working Capital

Working capital (calculated as current assets less current liabilities) was $1.9 billion at December 31, 2006, compared with $271.6 million at December 31, 2005, an increase of $1.6 billion. This increase was primarily due to our investment in the LSE and an increase in cash and cash equivalents and available-for-sale investments as discussed above.

We have historically been able to generate sufficient funds from operations to meet working capital requirements. At December 31, 2006, except for the un-drawn $75.0 million revolving credit facility obtained in connection with the Credit Facilities, we did not have any lines of credit. See "May 2006 Credit Facility," of Note 9, "Debt Obligations," to the consolidated financial statements for further discussion.

At December 31, 2006, none of our lenders were affiliated with Nasdaq, except to the extent, if any, that H&F and SLP would be deemed affiliates of Nasdaq due to their ownership of the $240 million convertible notes and $201.4 million of the $205 million convertible notes and associated warrants.

Broker Dealer Net Capital Requirements

Our broker-dealer subsidiaries, Nasdaq Execution Services, LLC (formerly Brut, LLC) and NASDAQ Options Services, LLC (formerly Island Execution Services, LLC), are subject to regulatory requirements intended to ensure their general financial soundness and liquidity, which require that they comply with minimum capital requirements. At December 31, 2006, Nasdaq Execution Services was required to maintain minimum net capital of $0.3 million and had total net capital of approximately $38.4 million or $38.1 million in excess of the minimum amount required. At December 31, 2006, NASDAQ Options Services was also required to maintain minimum net capital of $0.3 million and had total net capital of approximately $1.7 million or $1.4 million in excess of the minimum amount required.

Credit Facilities

In the second quarter of 2006, we entered into credit facilities to finance the purchase of the LSE shares. At December 31, 2006, total debt obligations outstanding under the Credit Facilities were $1.1 billion including a $75.0 million revolving credit facility still available to drawdown under the Credit Facilities. See Note 9, "Debt Obligations," to the consolidated financial statements for further discussion.

Our significant debt has resulted in the downgrading of our credit rating by Moody's to Ba3 from Ba2 and by Standard & Poor's to BB from BB+. In addition, Moody's lowered its ratings outlook to negative from stable.

The Credit Facilities' covenants, among other things, restrict our ability to grant liens, incur additional indebtedness, pay dividends, sell assets, make restricted payments, conduct transactions with affiliates and merge or consolidate. In addition, our convertible notes contain a covenant restricting our ability to incur senior debt, and as a consequence of our current debt outstanding under our Credit Facilities, our convertible notes would not permit us to incur additional senior debt without consent.

New Credit Facility

In order to finance our acquisition bid of the LSE, we entered into a new credit facility which became effective on November 20, 2006, or the New Credit Facility. The New Credit Facility provides for credit of up to approximately $5.1 billion of debt financing to be used for payment in respect of the acquisition of the issued LSE ordinary shares (and shares issuable pursuant to options convertible into ordinary shares) and the issued LSE B shares, transaction costs, working capital, and repayment of Nasdaq borrowings under its existing credit facilities as well as existing bonds of LSE to the extent that the holders of such bonds require the bonds to be redeemed. The initial funding under the New Credit Facility is subject to conditions customary in the United Kingdom for transactions of this type and will not occur until the offers have been declared unconditional in all respects. Although the final offers have lapsed, the New Credit Facility does not expressly terminate. See Note 9, "Debt Obligations," to the consolidated financial statements for further discussion.

Equity Offerings

In the first quarter of 2006, we completed a public offering of 15,979,513 shares of common stock, of which we sold 8,042,142 shares issued from common stock in treasury and NASD and other selling stockholders sold 7,937,371 shares. Other selling stockholders initially received their shares through the exercise of warrants they purchased in our 2000 and 2001 private placements. We used a portion of the net proceeds obtained from this offering to fund the redemption of our Series C Cumulative preferred stock.

In May 2006, we completed another public offering of 18,500,000 shares of our common stock, for net proceeds of $665.2 million before the deduction of offering expenses. These proceeds were used to prepay a portion of the amount outstanding under the April 2006 Credit Facility.

Quantitative and Qualitative Disclosures About Market Risk

Investments

We maintain an investment portfolio of various holdings, types, and maturities. See Note 7, "Investments," to the consolidated financial statements for further discussion. These securities are classified as available-for-sale and are recorded in the Consolidated Balance Sheets at fair value with unrealized gains or losses, including foreign currency fluctuations, reported as a separate component of accumulated other comprehensive income, net of tax where applicable.

Nasdaq and its subsidiaries adhere to an investment policy approved by The Nasdaq Board of Directors for internally and externally managed portfolios. The goal of the policy is to maintain adequate liquidity at all times and to fund current budgeted operating and capital requirements and to maximize returns. All securities must meet credit rating standards as established by the policy and must be denominated in subsidiary specific currencies. The investment portfolio duration must not exceed 18 months. The policy prohibits the purchasing of any investment in equity securities, except for any purchases required by the SEC or for regulatory purposes. The policy also prohibits any investment in debt interest in an entity that derives more than 25.0% of its gross revenue from the combined broker-dealer and/or investment advisory businesses of all of its subsidiaries and affiliates. Nasdaq's investment policy is reviewed annually and was re-approved by the Board on January 30, 2007. Nasdaq also periodically reviews its investments and investment managers. Our purchase of the LSE equity securities is not part of the scope of our investment policy. Our Board of Directors separately approved our investment in the LSE.

We regularly monitor and evaluate the realizable value of its investment security portfolio. When assessing securities for other-than-temporary declines in value, we consider such factors as, among other things, the duration for which the market value had been less than cost, any news that has been released specific to the investee, analyst coverage and the outlook for the overall industry in which the investee operates. For equity securities we also consider the performance of the investee's stock price in relation to industry indexes and review the investee's credit profile. There were no impairment charges recorded on our investments during the years ended December 31, 2006, 2005 and 2004.

As of December 31, 2006, there were no hedges on our investments. However we periodically re-evaluate our hedging policies and may choose to enter into future transactions. Nasdaq does not currently hedge any variable interest rates on these securities.

Fixed Income Securities

As of December 31, 2006, our fixed income securities have an average duration of 0.09 years. Our primary investment objective for fixed income securities is to preserve principal while maximizing yields, without significantly increasing risk. These securities are subject to interest rate risk and their fair values may fluctuate with changes in interest rates. However, management does not believe that a 100 basis point fluctuation in market interest rates will have a material effect on the carrying value of our fixed income securities at December 31, 2006.

Investment in the LSE

As of December 31, 2006, we own approximately 28.8% of the issued share capital of the LSE. The cost of this investment is approximately GBP 736.5 million, or $1,386.8 million. This investment is accounted for under SFAS 115 and as indicated above any unrealized gains or losses, including foreign currency fluctuations, are recorded as a separate component of accumulated other comprehensive income until sold or redeemed.

The fair market value of our investment in the LSE is subject to market price volatility. As of December 31, 2006 the gross unrealized gain on our investment in the LSE was approximately $241.6 million which includes a foreign currency gain.

As of December 31, 2006, we purchased foreign currency option contracts in order to hedge the foreign exchange exposure on our acquisition bid for the LSE. This position is marked-to-market at each reporting period resulting in gains and losses, which are included in net income. As of December 31, 2006, the unrealized gain recorded in the Consolidated Statement of Income was $48.4 million. As of December 31, 2006, we also purchased foreign currency forward contracts in order to hedge our foreign currency exposure on our fourth quarter dividend receivable from the LSE. We received the cash for the dividend declared in the fourth quarter of 2006 in January 2007. See Note 16, "Fair Value of Financial Instruments," to the consolidated financial statements for further discussion.

Debt Obligations

At December 31, 2006, both our $205 million and $240 million convertible notes specify fixed interest rates until October 22, 2012. However, our Credit Facilities specify floating interest rates until maturity in April 2012 and are therefore subject to interest rate risk. Management does not believe that a 100 basis point fluctuation in market interest rates will have a material effect on the carrying value of our outstanding floating rate debt obligations at December 31, 2006. However, due to the stock appreciation on the convertible option feature from $14.50 at the time of issuance to $30.79 at December 31, 2006, the fair value of Nasdaq's convertible notes exceeds its carrying value.

As of December 31, 2006, Nasdaq does not currently hedge any variable interest rates on our debt obligations. However we periodically reevaluate our hedging policies and may choose to enter into future transactions.

Credit Risk

We are exposed to credit risk from third parties, including customers, counterparties and clearing agents. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. In particular, our subsidiary Nasdaq Execution Services may be exposed to credit risk, due to the default of trading counterparties, in connection with the clearing and routing services Nasdaq Execution Services provides for our trading customers. During the fourth quarter of 2006, the Brut execution system, the INET execution system and the portion of The Nasdaq Market Center that traded Nasdaq-listed securities were merged into a single platform. Trades executed on this single platform are exposed to these types of credit risks.

System trades in Nasdaq-listed securities, NYSE-listed securities and those routed to other market centers for broker-dealer clients are cleared by Nasdaq Execution Services, as a member of the National Securities Clearing Corporation, or NSCC.

Pursuant to the rules of the NSCC and Nasdaq Execution Services' clearing agreement, Nasdaq Execution Services is liable for any losses incurred due to counterparty or a clearing agent's failure to satisfy its contractual obligations, either by making payment or delivering securities. Adverse movements in the prices of securities that are subject to these transactions can increase our credit risk. However, we believe that the risk of material loss is limited, as Nasdaq Execution Services' customers are not permitted to trade on margin and NSCC rules limit counterparty risk on self-cleared transactions by establishing credit limit and capital deposit requirements for all brokers that clear with NSCC. Nasdaq Execution Services has never incurred a liability due to a customer's failure to satisfy its contractual obligations as counterparty to a system trade. Credit difficulties or insolvency or the perceived possibility of credit difficulties or insolvency of one or more larger or visible market participants could also result in market-wide credit difficulties or other market disruptions. We also have credit risk related to transaction fees that are billed to customers on a monthly basis, in arrears. Our potential exposure to credit losses on these transactions is represented by the receivable balances in our Consolidated Balance Sheets. Our customers are financial institutions whose ability to satisfy their contractual obligations may be impacted by volatile securities markets. Credit losses such as those described above could adversely affect our consolidated financial position and results of operations.

Contractual Obligations and Contingent Commitments

Nasdaq has contractual obligations to make future payments under debt obligations by contract maturity, minimum rental commitments under non-cancelable operating leases, net and other obligations. The following table shows these contractual obligations at December 31, 2006:

	Payments due by period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(in millions)		
Debt obligations by contract maturity (Note 9, "Debt Obligations")	$1,505.8	$ 10.7	$21.3	$21.4	$1,452.4
Minimum rental commitments under non-cancelable operating leases, net (Note 18, "Leases")	215.4	25.9	43.2	39.5	106.8
Other obligations (Note 19, "Commitments, Contingencies and Guarantee")	25.8	15.8	10.0	—	—
Total	$1,747.0	$ 52.4	$74.5	$60.9	$1,559.2

Off-Balance Sheet Arrangements

In connection with our registration as a national securities exchange, we completed an internal reorganization in November 2006. As part of the reorganization, The NASDAQ Stock Market, LLC, or the Exchange, assumed Nasdaq's obligations under the 3.75% convertible notes due October 22, 2012 and the related Indenture. Nasdaq will guarantee the obligations of the Exchange under the indenture. See "Obligations under Guarantee," of Note 19, "Commitments, Contingencies and Guarantee," to the consolidated financial statements for further discussion. Nasdaq did not have any other off-balance sheet arrangements as of December 31, 2006.

Critical Accounting Policies

The following provides information about our critical accounting policies. Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. These policies relate to revenue recognition and cost of revenues, reserve for bad debts, valuation of goodwill and intangible assets, income taxes, software costs and related party transactions. For a summary of our significant accounting policies, including the accounting policies discussed below, see Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements for further discussion.

Revenue Recognition and Cost of Revenues. Market Services revenues (84.9% of total revenues and 63.7% of gross margin in 2006) are derived from Nasdaq Market Center and Nasdaq Market Services Subscriptions revenues. Nasdaq Market Center revenues are variable, based on service volumes, and recognized as transactions occur. Nasdaq Market Services Subscriptions revenues are based on the number of presentation devices in service and quotes delivered through those devices. Nasdaq Market Services Subscriptions revenues are recognized in the month that information is provided. These revenues are recorded net of amounts due under revenue sharing arrangements with market participants. Pursuant to EITF 99-19, we record execution revenues from transactions on a gross basis in revenues and record related expenses such as liquidity rebate payments and execution costs as cost of revenues. We have recorded execution revenues related to the Brut and INET platforms on a gross basis since the related acquisitions, as Brut and INET have historically had risk as principal on transactions executed through their respective platforms. On February 1, 2006, Brut and INET merged together into a single broker-dealer, Brut, LLC, which was later renamed, Nasdaq Execution Services. All routed transactions are executed through Nasdaq Execution Services. Nasdaq Execution Services is registered with the SEC as a broker-dealer. Nasdaq Execution Services, as a broker-dealer, acts as principal to the transactions executed through The Nasdaq Market Center, which exposes Nasdaq Execution Services to clearance and

settlement risk. Starting with the second quarter of 2005, we have reported execution revenues from transactions on our legacy Nasdaq platform on a gross basis in revenues and reported related expenses as cost of revenues, as we have certain risk associated with trade execution, subject to rule limitations and caps, as a result of our Limitation of Liability Rule. This change in presentation was implemented on a prospective basis beginning April 1, 2005 as required under GAAP, as a direct result of the rule change. Following our move to a single platform, we continue to have execution risk on non-routed transactions that are conducted on our platform. We do not record a liability for any potential claims that may be submitted under the rule unless they meet the provisions of SFAS No. 5 "Accounting for Contingencies", or SFAS 5. As such, losses arising as a result of the rule are accrued and charged to expense only if the loss is probable and estimable. Prior to the second quarter of 2005, execution revenues and the related expenses were recorded on a net basis as we did not act on a principal basis on any trades executed through our systems. In addition, under NASD Rule 4705, we historically disclaimed any liability for losses arising from malfunctions of The Nasdaq Market Center. This rule eliminated liability or risk of loss to us for system failures. We are required to pay Section 31 fees to the SEC for supervision and regulation of securities markets, which are included in cost of revenues. We pass these costs along to our customers through our execution revenues.

Issuer Services revenues (15.1% of total revenues and 36.3% of gross margin in 2006) include Corporate Client Group revenues and Nasdaq Financial Products revenues. Corporate Client Group revenues include annual fees, initial listing fees and listing of additional shares fees. Annual fees are recognized ratably over the following 12-month period. Initial listing and listing of additional shares fees are recognized on a straight-line basis over estimated service periods, which are six and four years, respectively, based on our historical listing experience. Corporate Client Group revenues also include Corporate Client services revenues, which includes our insurance business and shareholder and newswire services. For our insurance business, commission income is recognized when coverage becomes effective, the premium due under the policy is known or can be reasonably estimated, and substantially all required services related to placing the insurance have been provided. The effect on income of subsequent premium adjustments, including policy cancellations, is recorded when the adjustments are known. Fee income for services other than placement of insurance coverage is recognized as those services are provided. Broker commission adjustments and commissions on premiums billed directly by underwriters are recognized when such amounts can be reasonably estimated. Shareholder.com revenues are based on subscription agreements with customers. Revenues from subscription agreements are recognized ratably over the contract period, generally one year in length. As part of subscription services, customers are also charged usage fees based upon actual usage of the services provided. Revenues from usage fees and other services are recognized when earned. PrimeNewswire generates fees primarily from wire distribution services, and revenues are recognized as services are provided. For Nasdaq Financial Products' revenues, we receive license fees for our trademark licenses that vary by product based on assets or number or underlying dollar value of contracts issued. Nasdaq primarily has two types of license agreements, transaction-based licenses and asset-based licenses. Transaction-based licenses are generally renewable long-term agreements. Customers are charged based on transaction volume or a minimum contract amount, or both. If a customer is charged based on transaction volume, Nasdaq recognizes revenue when the transaction occurs. If a customer is charged based on a minimum contract amount, Nasdaq recognizes revenue on a pro-rata basis over the licensing term. Asset-based licenses are also generally long-term agreements. Customers are charged based on a percentage of assets under management for licensed products, per the agreement, on a monthly or quarterly basis. These revenues are recorded on a monthly or quarterly basis over the term of the license agreement.

Reserve for Bad Debts. The reserve for bad debts is maintained at a level that management believes to be sufficient to absorb estimated losses in the accounts receivable portfolio. The reserve is increased by the provision for bad debts which is charged against operating results and decreased by the amount of charge-offs, net of recoveries. The amount charged against operating results is based on several factors including, but not limited to, a continuous assessment of the collectibility of each account, the length of time a receivable is past due and our historical experience with the particular customer. In circumstances where a specific customer's inability to meet its financial obligations is known (i.e., bankruptcy filings), we record a specific provision for bad debts against amounts due to reduce the receivable to the amount we reasonably believe will be collected. Due to changing economic, business and market conditions, we review the reserve for bad debts monthly and

make changes to the reserve through the provision for bad debts as appropriate. If circumstances change (i.e., higher than expected defaults or an unexpected material adverse change in a major customer's ability to pay), our estimates of recoverability could be reduced by a material amount.

Valuation of Goodwill and Intangible Assets. Our business acquisitions typically result in the recording of goodwill and other intangible assets, and the recorded values of those assets may become impaired in the future. As of December 31, 2006, goodwill totaled approximately $1.0 billion and intangible assets, net of accumulated amortization, totaled approximately $199.6 million. The determination of the value of such intangible assets requires management to make estimates and assumptions that affect our consolidated financial statements. We assess potential impairments to intangible assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. Our judgments regarding the existence of impairment indicators and future cash flows related to intangible assets are based on operational performance of our acquired businesses, market conditions and other factors. Although there are inherent uncertainties in this assessment process, the estimates and assumptions we use are consistent with our internal planning. If these estimates or their related assumptions change in the future, we may be required to record an impairment charge on all or a portion of our goodwill and intangible assets. Impairment exists if the carrying value of the indefinite-lived intangible asset exceeds its fair value. For intangible assets subject to amortization, impairment is recognized if the carrying amount is not recoverable and the carrying amount exceeds the fair value of the intangible asset.

Income Taxes. Estimates and judgments are required in the calculation of certain tax liabilities and in the determination of the recoverability of certain deferred tax assets, which arise from net operating loss carryforwards, tax credit carryforwards and temporary differences between the tax and financial statement recognition of revenue and expense. SFAS No. 109, "Accounting for Income Taxes," or SFAS 109, requires that deferred tax assets be reduced by a valuation allowance, if it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods.

In assessing the need for a valuation allowance, we consider all available evidence including past operating results, the existence of cumulative losses in the most recent fiscal years, estimates of future taxable income and the feasibility of tax planning strategies. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

In addition, the calculation of our tax liabilities involves uncertainties in the application of tax regulations in the U.S. and other tax jurisdictions. We recognize potential liabilities for anticipated tax audit issues in such jurisdictions based on our estimate of whether, and the extent to which, additional taxes and interest may be due. While we believe that our tax liabilities reflect the probable outcome of identified tax uncertainties, it is reasonably possible that the ultimate resolution of any tax matter may be greater or less than the amount accrued. If events occur and the payment of these amounts ultimately proves unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary. If our estimate of tax liabilities proves to be less than the ultimate assessment, a further charge to expense would result.

Software Costs. We capitalize and amortize significant purchased application software and operational software that are an integral part of computer hardware on the straight-line method over their estimated useful lives, generally two to five years. We expense other purchased software as incurred.

Nasdaq uses Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," or SOP 98-1, for accounting for internally developed software. SOP 98-1 requires that certain costs incurred in connection with developing or obtaining internal use software be capitalized. We capitalize internal and third party costs incurred in connection with the development of internal use software.

Related Party Transactions. Related party receivables and payables are the result of various transactions between us and our affiliates. Prior to December 20, 2006 we were a subsidiary of NASD and transactions between Nasdaq and NASD were considered related party transactions. As discussed in Note 1, "Organization and Nature of Operations," NASD achieved full divestiture of ownership of our common stock in 2006 and the one share of Series D preferred stock held by NASD was redeemed by Nasdaq on December 20, 2006. Therefore, as of December 20, 2006, NASD is no longer considered a related party.

Prior to December 20, 2006, payables to related parties were comprised primarily of the regulation charge from NASDR. NASDR charges us for costs incurred related to our market regulation and enforcement. See Note 13, "Related Party Transactions," for further discussion.

Future Accounting Requirements

FIN 48 — In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109," or FIN 48. FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for us on January 1, 2007. The cumulative effect of adopting FIN 48 will be recorded in retained earnings and other accounts as applicable in the Consolidated Balance Sheet. The effect of adopting FIN 48 did not have a significant impact on our consolidated financial position or results of operations.

SFAS No. 157 —In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," or SFAS 157. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 is effective for us on January 1, 2008. We are currently evaluating the potential impact of adopting SFAS 157.

SFAS No. 158 —In September 2006, the FASB also issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans- an amendment of FASB Statements No. 87, 88, 106 and 132(R)," or SFAS 158. We adopted the recognition and disclosure requirements under SFAS 158 as of December 31, 2006. See Note 11, "Employee Benefits," to the consolidated financial statements for further discussion. SFAS 158 also requires plan assets and obligations to be measured as of the employer's balance sheet date. While the new measurement date is effective for us on December 31, 2008, we are in compliance with the measurement date provision.

Summarized Quarterly Financial Data (Unaudited)

	1st Qtr 2006	2nd Qtr 2006	3rd Qtr 2006	4th Qtr 2006
	(in thousands, except per share amounts)			
Total revenues	$ 396,239	$ 411,032	$ 402,859	$ 447,227
Cost of revenues	(234,221)	(239,881)	(231,709)	(264,177)
Gross margin	162,018	171,151	171,150	183,050
Total expenses	120,207	134,821	103,291	114,959
Operating income	41,811	36,330	67,859	68,091
Net income	$ 17,988	$ 16,644	$ 30,226	$ 63,035
Net income applicable to common stockholders	$ 17,298	$ 16,644	$ 30,226	$ 63,035
Basic earnings per share	$ 0.20	$ 0.16	$ 0.27	$ 0.56
Diluted earnings per share	$ 0.16	$ 0.13	$ 0.22	$ 0.43

	1st Qtr 2005	2nd Qtr 2005	3rd Qtr 2005	4th Qtr 2005
Total revenues	$ 180,193	$ 219,686	$ 220,465	$ 259,575
Cost of revenues	(53,915)	(89,225)	(89,821)	(120,947)
Gross margin	126,278	130,461	130,644	138,628
Total expenses	103,520	104,138	99,282	105,407
Operating income	22,758	26,323	31,362	33,221
Net income	$ 12,771	$ 13,971	$ 17,802	$ 17,146
Net income applicable to common stockholders	$ 10,840	$ 11,727	$ 16,426	$ 16,100
Basic earnings per share	$ 0.14	$ $0.15	$ $0.20	$ 0.20
Diluted earnings per share	$ 0.13	$ $0.13	$ $0.16	$ 0.15

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Information about quantitative and qualitative disclosures about market risk is incorporated herein by reference from "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures About Market Risk."

Item 8. Financial Statements and Supplementary Data.

Nasdaq's consolidated financial statements, including consolidated balance sheets as of December 31, 2006 and 2005, consolidated statements of income for the years ended December 31, 2006, 2005 and 2004, consolidated statements of changes in stockholders' equity for the years ended December 31, 2006, 2005 and 2004, consolidated statements of cash flows for the years ended December 31, 2006, 2005 and 2004 and notes to our consolidated financial statements, together with a report thereon of Ernst & Young LLP, dated February 20, 2007, are attached hereto as pages F-1 through F-71.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

(a). ***Disclosure controls and procedures*** . Nasdaq's management, with the participation of Nasdaq's President and Chief Executive Officer, and Executive Vice President and Chief Financial Officer, has evaluated the effectiveness of Nasdaq's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, Nasdaq's President and Chief Executive Officer and Executive Vice President and Chief Financial Officer have concluded that, as of the end of such period, Nasdaq's disclosure controls and procedures are effective.

(b). ***Internal controls over financial reporting*** . There have been no changes in Nasdaq's internal controls over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) that occurred during Nasdaq's fiscal fourth quarter that have materially affected, or are reasonably likely to materially affect, Nasdaq's internal controls over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for the preparation and integrity of the consolidated financial statements appearing in the reports that we file with the SEC. The consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles and include amounts based on management's estimates and judgments.

Management is also responsible for establishing and maintaining adequate internal control over Nasdaq's financial reporting. We maintain a system of internal control that is designed to provide reasonable assurance as to the fair and reliable preparation and presentation of the consolidated financial statements, as well as to safeguard assets from unauthorized use or disposition that could have a material effect on the financial statements.

Our management assessed the effectiveness of our internal control over financial reporting, as of December 31, 2006, based on criteria set forth in the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Although there are inherent limitations in the effectiveness of any system of internal control over financial reporting, based on its assessment, our management believes that, as of December 31, 2006, our internal control over financial reporting is effective.

Ernst & Young LLP, an independent registered public accounting firm, has issued an attestation report on management's assessment of internal controls over financial reporting, which is include herein.

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

The Board of Directors and Stockholders of The Nasdaq Stock Market, Inc.

We have audited management's assessment, included in the accompanying *Management's Report on Internal Controls Over Financial Reporting,* that The Nasdaq Stock Market, Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Nasdaq Stock Market, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that The Nasdaq Stock Market, Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, The Nasdaq Stock Market, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Nasdaq Stock Market, Inc. and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006 of The Nasdaq Stock Market, Inc. and our report dated February 20, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
February 20, 2007

Item 9B. Other Information.

None

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

Information about Nasdaq's directors is incorporated by reference from the discussion under the caption "Proposal I: Election of Directors" in Nasdaq's proxy statement for the 2007 Annual Meeting of Stockholders, or the Proxy. Information about Nasdaq's executive officers is incorporated by reference from the discussion under the caption "Executive Officers of Nasdaq" in the Proxy. Information about Section 16 reports, as required by Item 405 of Regulation S-K, is incorporated by reference from the discussion under the caption "Section 16 (a) Beneficial Ownership Reporting Compliance" in the Proxy. Information about Nasdaq's code of ethics, as defined in Item 406 of Regulation S-K, is incorporated by reference from the discussion under the caption "Nasdaq Codes of Ethics" in the Proxy. Information about Nasdaq's Nominating and Audit Committees, as required by Items 407(c)(3), 407(d)(4) and 407(d)(5) of Regulation S-K, is incorporated by reference from the discussion under the caption "Proposal I: Election of Directors" in the Proxy.

Item 11. Executive Compensation.

Information about executive and director compensation is incorporated by reference from the discussion under the captions "Compensation Discussion and Analysis", "Director Compensation", "Executive Compensation", "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" in the Proxy.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information about security ownership of certain beneficial owners and management is incorporated by reference from the discussion under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy.

Equity Compensation Plan Information

Nasdaq's Equity Incentive Plan, or Equity Plan, provides for the issuance of our equity securities to officers and other employees, directors and consultants. In addition, employees of Nasdaq and its subsidiaries are eligible to participate in the Nasdaq 2000 Employee Stock Purchase Plan, or ESPP, at 85.0% of the fair market value of our common stock on the price calculation date. The Equity Plan and the ESPP have been approved by our stockholders. In 2003, we granted non-qualified stock options for 1,000,000 shares of common stock and 100,000 shares of restricted stock to Robert Greifeld as inducement awards to secure his employment as President and CEO of Nasdaq. These two inducement awards were outside of the Equity Plan. The following

table sets forth information regarding outstanding options and shares reserved for future issuance under all of Nasdaq's compensation plans as of December 31, 2006.

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)(1)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) (c)
Equity compensation plans approved by stockholders	10,943,975	$ 14.81	6,641,206[2]
Equity compensation plans not approved by stockholders	700,000[3][4]	$ 5.28	—
Total	11,643,975	$ 14.24	6,641,206[2]

(1) The amounts in this column include only the number of shares to be issued upon exercise of outstanding options, warrants and rights. At December 31, 2006, we also had 800,290 shares to be issued upon vesting of outstanding restricted stock awards.

(2) This amount includes 4,423,207 shares of common stock that may be awarded through options pursuant to the Equity Plan, 1,196,211 shares of common stock that may be awarded other than through options pursuant to the Equity Plan and 1,021,788 shares of common stock that may be issued pursuant to the ESPP.

(3) Mr. Greifeld received an inducement award of non-qualified stock options exercisable for 1,000,000 shares of common stock pursuant to the terms of his 2003 employment agreement, of which he has exercised 300,000 shares. The award was granted on April 15, 2003 at an exercise price of $5.28 per share and expires on April 15, 2013. The option became exercisable with respect to 250,000 shares on July 10, 2003 and became exercisable with respect to 250,000 shares on each of April 15, 2004, 2005 and 2006. In the event Mr. Greifeld's employment is terminated by Nasdaq for cause or by Mr. Greifeld without good reason (each as defined in his 2003 employment agreement), the vested options will remain exercisable for a period ending on the earlier of ten days after termination or the Expiration Date. In the event Mr. Greifeld's employment is terminated by Nasdaq without Cause, by Mr. Greifeld for Good Reason or in the event of death or disability, Mr. Greifeld would have the earlier of 24 months after the termination date or the expiration date to exercise the vested options. If Mr. Greifeld's employment terminates as a result of retirement (as defined in his employment agreement), he would have the earlier of 370 days or the expiration date to exercise the vested options. In the event Mr. Greifeld's employment terminates as a result of a non-renewal by Nasdaq, any vested options will be exercisable until the earlier of 24 months from termination or the expiration date. This inducement award is transferable by Mr. Greifeld only to certain immediate family members or to a trust or other entity for the exclusive benefit of such immediate family members.

(4) Does not include 100,000 shares of restricted stock granted to Mr. Greifeld as an inducement award on June 11, 2003. The shares of restricted stock vested in equal amounts on each of the first three anniversaries of May 12, 2003, Mr. Greifeld's employment date. This inducement award is transferable only by the laws of descent and distribution.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information about certain relationships and related transactions is incorporated herein by reference from the discussion under the caption "Certain Relationships and Related Transactions" in the Proxy. Information about director independence is incorporated herein by reference from the discussion under the caption "Proposal I: Election of Directors" in the Proxy.

Item 14. Principal Accounting Fees and Services.

Information about principal accounting fees and services is incorporated herein by reference from the discussion under the caption "Proposal II: Ratify the Appointment of Independent Registered Public Accounting Firm" in the Proxy.

Part IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) Financial Statements

See "Index to Consolidated Financial Statements."

(a)(2) Financial Statement Schedules

See "Index to Consolidated Financial Statements."

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(a)(3) Exhibits

Exhibit Number	
3.1	Restated Certificate of Incorporation of The Nasdaq Stock Market, Inc. (previously filed with Nasdaq's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 filed on November 14, 2003).
3.1.1	Certificate of Amendment of the Restated Certificate of Incorporation of Nasdaq filed on May 25, 2005 (previously filed with Nasdaq's Annual Report on Form 10-K for the year ended December 31, 2005 filed on March 15, 2006).
3.1.2	Certificate of Amendment of the Restated Certificate of Incorporation of Nasdaq filed on March 13, 2006 (previously filed with Nasdaq's Annual Report on Form 10-K for the year ended December 31, 2005 filed on March 15, 2006).
3.1.3	Certificate of Amendment of the Restated Certificate of Incorporation of Nasdaq filed on August 1, 2006 (previously filed with Nasdaq's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 on November 8, 2006).
3.1.4	Certificate of Designations, Preferences and Rights of Series C Cumulative Preferred Stock of Nasdaq (previously filed with Nasdaq's Current Report on Form 8-K filed on December 1, 2004).
3.1.5	Certificate of Designations, Preferences and Rights of Series D Cumulative Preferred Stock of Nasdaq (previously filed with Nasdaq's Current Report on Form 8-K filed on December 20, 2005).
3.1.6	Certificate of Elimination (previously filed with Nasdaq's Current Report on Form 8-K on April 4, 2006).
3.2	By-Laws of The Nasdaq Stock Market, Inc. (previously filed with Nasdaq's Current Report on Form 8-K on August 3, 2006).
4.1	Form of Common Stock certificate (previously filed with Nasdaq's Registration Statement on Form 10 (file number 000-32651) filed on April 30, 2001).
4.2	Securities Purchase Agreement, dated as of April 22, 2005, between Norway Acquisition SPV, LLC and The Nasdaq Stock Market, Inc. (previously filed with Nasdaq's Current Report on Form 8-K, filed April 28, 2005).

Exhibit Number	
4.3	Note Amendment Agreement, dated as of April 22, 2005, among The Nasdaq Stock Market, Inc., Hellman & Friedman Capital Partners IV, L.P. , H&F Executive Fund IV, L.P., H&F International Partners IV-A, L.P., and H&F International Partners IV-B, L.P. (previously filed with Nasdaq's Current report on Form 8-K, filed April 28, 2005).
4.4	Indenture, dated as of April 22, 2005, between The Nasdaq Stock Market, Inc. and Law Debenture Trust Company of New York, as Trustee (previously filed with Nasdaq's Current Report on Form 8-K, filed April 28, 2005).
4.4.1	First Supplemental Indenture, dated as of December 8, 2005, by The Nasdaq Stock Market, Inc. to Law Debenture Trust Company of New York (previously filed with Nasdaq's Current report on Form 8-K, filed December 14, 2005).
4.4.2	Second Supplemental Indenture, dated as of November 9, 2006, among The Nasdaq Stock Market, Inc., The NASDAQ Stock Market LLC and Law Debenture Trust Company of New York, as trustee.
4.5	Amended and Restated Securityholders Agreement, dated as of April 22, 2005, among Norway Acquisition SPV, LLC, Hellman & Friedman Capital Partners IV, L.P., H&F Executive Fund IV, L.P., H&F International Partners IV-A, L.P., and H&F International Partners IV-B, L.P., Silver Lake Partners TSA, L.P., Silver Lake Investors, L.P., VAB Investors, LLC and Integral Capital Partners VI, L.P. (previously filed with Nasdaq's Current Report on Form 8-K, filed April 28, 2005).
4.6	Registration Rights Agreement, dated as of April 22, 2005, among The Nasdaq Stock Market, Inc., Hellman & Friedman Capital Partners IV, L.P. , H&F Executive Fund IV, L.P., H&F International Partners IV-A, L.P., and H&F International Partners IV-B, L.P., Silver Lake Partners TSA, L.P., Silver Lake Investors, L.P., VAB Investors, LLC and Integral Capital Partners VI, L.P. (previously filed with Nasdaq's Current report on Form 8-K, filed April 28, 2005).
10.1	Board Compensation Policy, approved as of March 7, 2006 (previously filed with Nasdaq's Current Report on Form 8-K on March 14, 2006).*
10.2	Amended and Restated Executive Corporate Incentive Plan, dated as of February 18, 2004.*
10.3	Nasdaq 2000 Employee Stock Purchase Plan (previously filed with Nasdaq's Registration Statement on Form 10 (file number 000-32651) filed on April 30, 2001).*
10.4	Nasdaq Equity Incentive Plan (previously filed with Nasdaq's Registration Statement on Form 10 (file number 000-32651) filed on April 30, 2001).*
10.3.1	First Amendment to Nasdaq Equity Incentive Plan (previously filed with Nasdaq's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 14, 2002).*
10.3.2	Second Amendment to Nasdaq Equity Incentive Plan.*
10.3.3	Form of Nasdaq Non-Qualified Stock Option Agreement.*
10.3.4	Form of Nasdaq Restricted Stock Award Agreement (employees).*
10.3.5	Form of Nasdaq Restricted Stock Award Agreement (directors).*
10.4	Supplemental Executive Retirement Plan.*
10.5	Employment Agreement by and between Nasdaq and Robert Greifeld, effective as of January 1, 2007.*
10.6	Employment Letter from Nasdaq to David P. Warren, dated November 30, 2000 (previously filed with Nasdaq's Annual Report on Form 10-K for the year ended December 31, 2003, filed March 15, 2004).*

Exhibit Number	
10.6.1	Revised Letter Agreement, effective as of March 23, 2005, between The Nasdaq Stock Market, Inc. and David P. Warren (previously filed with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed on May 10, 2005).*
10.7	Employment Agreement between Nasdaq and Edward Knight, effective as of December 29, 2000 Nasdaq (previously filed with Nasdaq's Annual Report on Form 10-K for the year ended December 31, 2002, filed March 31, 2003).*
10.7.1	First Amendment to Employment Agreement between Nasdaq and Edward Knight, effective February 1, 2002 Nasdaq (previously filed with Nasdaq's Annual Report on Form 10-K for the year ended December 31, 2002, filed March 31, 2003).*
10.8	Revised Letter Agreement, effective as of March 23, 2005, between The Nasdaq Stock Market, Inc. and Bruce Aust (previously filed with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed on May 10, 2005).*
10.9	Revised Letter Agreement, effective as of March 23, 2005, between The Nasdaq Stock Market, Inc. and Christopher Concannon (previously filed with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed on May 10, 2005).*
10.10	Letter Agreement, effective as of July 28, 2006, between The Nasdaq Stock Market, Inc. and Anna Ewing (previously filed with Nasdaq's Current Report on Form 8-K on August 3, 2006).*
10.11	Revised Letter Agreement, effective as of March 23, 2005, between The Nasdaq Stock Market, Inc. and Adena Friedman (previously filed with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed on May 10, 2005).*
10.12	Revised Letter Agreement, effective as of March 23, 2005, between The Nasdaq Stock Market, Inc. and John L. Jacobs (previously filed with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed on May 10, 2005).*
10.13	Regulatory Services Agreement, dated June 28, 2000, between NASD Regulation, Inc. and Nasdaq (previously filed with Nasdaq's Registration Statement on Form 10 (file number 000-32651) filed on April 30, 2001).**
10.14	Transitional System and Regulatory Services Agreement, dated as of December 20, 2006, by and between National Association of Securities Dealers, Inc. and The NASDAQ Stock Market LLC (previously filed with Nasdaq's Current Report on Form 8-K on December 21, 2006).
10.15	OTCBB and OTC Equities Revocation of Delegation and Asset Transfer and Services Agreement among The Nasdaq Stock Market, Inc. and National Association of Securities Dealers, Inc., executed September 2, 2005 (previously filed with Nasdaq's Current Report on Form 8-K, filed September 9, 2005).
10.16	Contract of Sale, dated as of June 10, 2005, between The Nasdaq Stock Market, Inc. and National Association of Securities Dealers, Inc. (previously filed with Nasdaq's Current Report on Form 8-K, filed June 16, 2005).
10.17	Agreement and Plan of Merger, dated as of April 22, 2005, by and among The Nasdaq Stock Market, Inc., Norway Acquisitions Corp. and Instinet Group Incorporated (previously filed with Nasdaq's Current Report on Form 8-K, filed April 28, 2005).
10.18	Transaction Agreement, dated as of April 22, 2005, by and among The Nasdaq Stock Market, Inc., Norway Acquisitions Corp. and Iceland Acquisition Corp. (previously filed with Nasdaq's Current Report on Form 8-K, filed April 28, 2005).
10.18.1	Amendment to the Transaction Agreement , dated as of December 8, 2005, by and among The Nasdaq Stock Market, Inc. and Iceland Acquisition Corp. (previously filed with Nasdaq's Current Report on Form 8-K, filed on December 14, 2005).

Exhibit Number	
10.19	Guarantee Agreement, dated as of April 22, 2005, by and among The Nasdaq Stock Market, Inc., Norway Acquisition SPV, LLC and JPMorgan Chase Bank, N.A., as administrative agent (previously filed with Nasdaq's Current Report on Form 8-K, filed April 28, 2005).
10.20	Transition Services Agreement, dated as of December 8, 2005, by and among The Nasdaq Stock Market, Inc., Instinet Holdings Incorporated f/k/a Iceland Acquisition Corp., and Norway Acquisition Corp. f/k/a Instinet Group (previously filed with Nasdaq's Current Report on Form 8-K, filed December 14, 2005).
10.21	License Agreement, dated as of December 8, 2005, by and between Instinet Holdings Incorporated f/k/a Iceland Acquisition Corp. and Norway Acquisition Corp. f/k/a Instinet Group Incorporated (previously filed with Nasdaq's Current Report on Form 8-K, filed December 14, 2005).
10.22	Brace Assignment and Support Agreement, dated as of December 8, 2005, by and between The Nasdaq Stock Market, Inc., Instinet Clearing Services, Inc. and INET ATS, Inc. (previously filed with Nasdaq's Current Report on Form 8-K, filed December 14, 2005).
10.23	Co-Location Agreement, dated as of December 8, 2005, by and between The Nasdaq Stock Market, Inc., Instinet Holdings Incorporated, f/k/a Iceland Acquisition Corp. and Norway Acquisition Corp. f/k/a Instinet Group Incorporated (previously filed with Nasdaq's Current Report on Form 8-K, filed December 14, 2005).
10.24	Amendment No. 1 to Fully Disclosed Clearing Agreement, dated as of December 8, 2005, between Instinet Clearing Services, Inc. and INET ATS, Inc. (previously filed with Nasdaq's Current Report on Form 8-K, filed December 14, 2005).
10.25	Credit Agreement, dated as of December 8, 2005, among The Nasdaq Stock Market, Inc. and the other parties thereto (previously filed with Nasdaq's Current Report on Form 8-K, filed December 14, 2005).
10.26	Amended and Restated Credit Agreement, dated as of May 19, 2006 among The Nasdaq Stock Market, Inc. and the other parties thereto (previously filed with Nasdaq's Current Report on Form 8-K on May 24, 2006).
10.27	Amended and Restated Term Loan Credit Agreement, dated as of May 19, 2006, among The Nasdaq Stock Market, Inc., Nightingale Acquisition Limited and the other parties thereto (previously filed with Nasdaq's Current Report on Form 8-K on May 24, 2006).
10.28	Credit Agreement, dated as of November 20, 2006, among The Nasdaq Stock Market, Inc. and the other parties thereto (previously filed with Nasdaq's Current Report on Form 8-K on November 27, 2006).
10.29	Term Loan Credit Agreement, dated as of November 20, 2006, among The Nasdaq Stock Market, Inc. and the other parties thereto (previously filed with Nasdaq's Current Report on Form 8-K on November 27, 2006).
10.30	Bridge Loan Agreement, dated as of November 20, 2006, among The Nasdaq Stock Market, Inc. and the other parties thereto (previously filed with Nasdaq's Current Report on Form 8-K on November 27, 2006).
10.31	Purchase Agreement, dated as of November 20, 2006, among The Nasdaq Stock Market, Inc., Banc of America Bridge, LLC and Dresdner Kleinwort Securities LLC (previously filed with Nasdaq's Current Report on Form 8-K on November 27, 2006).
10.32	Incremental Facility Amendment, dated as of November 20, 2006, among The Nasdaq Stock Market, Inc and the other parties thereto (previously filed with Nasdaq's Current Report on Form 8-K on November 27, 2006).
11	Statement regarding computation of per share earnings (incorporated herein by reference from Note 15 to the consolidated financial statements under Part II, Item 8 of this Form 10-K).

Exhibit Number	
12.1	Computation of Ratio of Earnings to Fixed Charges.
21.1	List of all subsidiaries.
23.1	Consent of Ernst & Young.
24.1	Powers of Attorney.
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley").
31.2	Certification of Executive Vice President and Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley.
32.1	Certifications Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley.

* Management contract or compensatory plan or arrangement.
** Confidential treatment has been requested from the U.S. Securities and Exchange Commission for certain portions of this exhibit.

(b) Exhibits:

See Item 15(a)(3) above.

(c) Financial Statement Schedules:

See Item 15(a)(2) above.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 28, 2007.

THE NASDAQ STOCK MARKET, INC.

By /s/ ROBERT GREIFELD
Name: **Robert Greifeld**
Title: ***President and Chief Executive Officer***

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of February 28, 2007.

Name	Title
/s/ ROBERT GREIFELD **Robert Greifeld**	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ DAVID P. WARREN **David P. Warren**	Chief Financial Officer (Principal Financial Officer)
/s/ RONALD HASSEN **Ronald Hassen**	Controller (Principal Accounting Officer)
* **H. Furlong Baldwin**	Chairman of the Board
* **Michael Casey**	Director
* **Daniel B. Coleman**	Director
* **Lon Gorman**	Director
* **Patrick Healy**	Director
* **Glenn H. Hutchins**	Director
* **Merit E. Janow**	Director
* **John D. Markese**	Director
* **Thomas F. O'Neill**	Director

Name	Title
*	Director
James S. Riepe	
*	Director
Arvind Sodhani	
*	Director
Thomas G. Stemberg	
*	Director
Deborah L. Wince-Smith	

* Pursuant to Power of Attorney

By: /s/ EDWARD S. KNIGHT
Edward S. Knight
Attorney-in-Fact

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THE NASDAQ STOCK MARKET, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

The following consolidated financial statements of The Nasdaq Stock Market, Inc. and its subsidiaries are presented herein on the page indicated:

Report of Independent Registered Public Accounting Firm	F -2
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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders of The Nasdaq Stock Market, Inc.

We have audited the accompanying consolidated balance sheets of The Nasdaq Stock Market, Inc. and subsidiaries ("Nasdaq" or the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nasdaq and subsidiaries at December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Nasdaq Stock Market Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
February 20, 2007

The Nasdaq Stock Market, Inc.

Consolidated Balance Sheets
(in thousands, except share and par value amounts)

	December 31, 2006	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	$ 321,995	$ 165,237
Available-for-sale investments, at fair value	1,628,209	179,369
Receivables, net	233,266	207,632
Deferred tax assets	11,098	9,953
Other current assets	117,978	34,772
Total current assets	2,312,546	596,963
Property and equipment, net	65,269	122,576
Non-current deferred tax assets	96,986	133,336
Goodwill	1,028,746	961,893
Intangible assets, net	199,619	215,478
Other assets	13,286	16,540
Total assets	$3,716,452	$2,046,786
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 170,753	$ 118,884
Accrued personnel costs	55,565	55,284
Deferred revenue	56,447	53,593
Other accrued liabilities	72,096	59,741
Deferred tax liabilities	94,993	2,108
Current portion of debt obligations	10,681	7,500
Payables to related parties	—	28,218
Total current liabilities	460,535	325,328
Debt obligations	1,492,947	1,184,928
Non-current deferred tax liabilities	115,791	95,151
Non-current deferred revenue	90,644	92,019
Other liabilities	99,084	95,355
Total liabilities	2,259,001	1,792,781
Minority interest	96	998
Stockholders' equity		
Common stock, $0.01 par value, 300,000,000 shares authorized, shares issued: 130,708,873 at December 31, 2006 and 130,684,783 at December 31, 2005; shares outstanding: 112,317,987 at December 31, 2006 and 83,148,909 at December 31, 2005	1,307	1,307
Preferred stock, 30,000,000 shares authorized, Series D preferred stock: $1.00 par value, 1 share issued and outstanding at December 31, 2005, Series C Cumulative preferred stock: 953,470 shares issued and outstanding at December 31, 2005	—	95,017
Additional paid-in capital	1,046,599	383,669
Common stock in treasury, at cost: 18,390,886 shares at December 31, 2006 and 47,535,874 shares at December 31, 2005	(239,752)	(613,369)
Accumulated other comprehensive income (loss)	136,204	(1,290)
Deferred stock compensation	—	(4,930)
Common stock issuable	—	6,809
Retained earnings	512,997	385,794
Total stockholders' equity	1,457,355	253,007
Total liabilities, minority interest and stockholders' equity	$3,716,452	$2,046,786

See accompanying notes to consolidated financial statements.

The Nasdaq Stock Market, Inc.

Consolidated Statements of Income
(in thousands, except per share amounts)

	Year Ended December 31,		
	2006	2005	2004
Revenues			
Market Services	$1,408,297	$ 653,654	$334,517
Issuer Services	249,016	226,033	205,821
Other	463	232	103
Total revenues	1,657,776	879,919	540,441
Cost of revenues			
Liquidity rebates	(644,860)	(255,501)	(38,114)
Brokerage, clearance and exchange fees	(325,521)	(98,407)	(17,731)
Total cost of revenues	(970,381)	(353,908)	(55,845)
Gross margin	687,395	526,011	484,596
Expenses			
Compensation and benefits	195,662	152,113	148,155
Marketing and advertising	20,522	9,036	12,790
Depreciation and amortization	70,916	66,986	76,336
Professional and contract services	32,038	29,147	23,709
Computer operations and data communications	41,472	62,388	98,903
Provision for bad debts	464	2,998	1,074
Occupancy	34,125	28,431	28,730
General, administrative and other	44,336	19,470	41,128
Total direct expenses	439,535	370,569	430,825
Support costs from related parties, net	33,771	41,779	45,588
Total expenses	473,306	412,348	476,413
Operating income	214,089	113,663	8,183
Interest income	24,633	12,735	5,854
Interest expense	(91,097)	(20,338)	(11,484)
Dividend income	16,227	—	—
Gain on foreign currency option contracts	48,391	—	—
Minority interest	902	202	—
Income from continuing operations before income taxes	213,145	106,262	2,553
Income tax provision	85,252	44,572	749
Net income from continuing operations	$ 127,893	$ 61,690	$ 1,804
Net income from discontinued operations, net of taxes	—	—	9,558
Net income	$ 127,893	$ 61,690	$ 11,362
Net income (loss) applicable to common stockholders:			
Net income	$ 127,893	$ 61,690	$ 11,362
Preferred stock:			
Loss on exchange of securities	—	—	(3,908)
Dividends declared	(359)	(3,220)	(8,354)
Accretion of preferred stock	(331)	(3,377)	(926)
Net income (loss) applicable to common stockholders	$ 127,203	$ 55,093	$ (1,826)
Basic and diluted earnings (loss) per share:			
Basic earnings (loss) per share:			
Continuing operations	$ 1.22	$ 0.68	$ (0.14)
Discontinued operations	—	—	0.12
Total basic earnings (loss) per share	$ 1.22	$ 0.68	$ (0.02)
Diluted earnings (loss) per share:			
Continuing operations	$ 0.95	$ 0.57	$ (0.14)
Discontinued operations	—	—	0.12
Total diluted earnings (loss) per share	$ 0.95	$ 0.57	$ (0.02)

See accompanying notes to consolidated financial statements.

The Nasdaq Stock Market, Inc.

Consolidated Statements of Changes in Stockholders' Equity
(in thousands, except share amounts)

	Number of Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Common Stock in Treasury	Preferred Stock Series C and D (at 12/31/05) (B and C at 12/31/04)	Preferred Stock Series A and B	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Deferred Stock Compensation	Common Stock Issuable	Total
Balance, January 1, 2004	78,483,919	$ 1,306	$ 358,923	$(667,765)	$ —	$ 133,840	$ 332,527	$ 86	$ (1,102)	$ 2,881	$ 160,696
Net income	—	—	—	—	—	—	11,362	—	—	—	11,362
Change in unrealized losses on available-for-sale investments, net of tax of $599	—	—	—	—	—	—	—	(920)	—	—	(920)
Foreign currency translation	—	—	—	—	—	—	—	232	—	—	232
Minimum pension liability, net of tax of $293	—	—	—	—	—	—	—	(454)	—	—	(454)
Comprehensive income for the year ended December 31, 2004	—	—	—	—	—	—	—	—	—	—	10,220
Exchange of securities	—	—	—	—	129,208	(133,840)	(3,908)	—	—	—	(8,540)
Accretion of preferred stock	—	—	—	—	926	—	(926)	—	—	—	—
Preferred stock dividends declared	—	—	—	—	—	—	(8,354)	—	—	—	(8,354)
Distribution to NASD for insurance agency	—	—	(290)	—	—	—	—	—	—	—	(290)
Restricted stock awards, net of forfeitures	—	—	—	—	—	—	—	—	(469)	469	—
Amortization and vesting of restricted stock	77,770	—	324	459	—	—	—	—	541	(783)	541
Stock options exercised	310,296	—	(2,303)	3,975	—	—	—	—	—	—	1,672
Other purchases of common stock by related parties or affiliated entities	101,100	—	(711)	1,329	—	—	—	—	—	—	618
Balance at December 31, 2004	78,973,085	$ 1,306	$ 355,943	$(662,002)	$ 130,134	$ —	$ 330,701	$ (1,056)	$ (1,030)	$ 2,567	$ 156,563
Net income	—	—	—	—	—	—	61,690	—	—	—	61,690
Change in unrealized losses on available-for-sale investments, net of tax of $(253)	—	—	—	—	—	—	—	392	—	—	392
Foreign currency translation	—	—	—	—	—	—	—	(157)	—	—	(157)
Minimum pension liability, net of tax of $303	—	—	—	—	—	—	—	(469)	—	—	(469)
Comprehensive income for the year ended December 31, 2005	—	—	—	—	—	—	—	—	—	—	61,456
Partial redemption of preferred stock	—	—	—	—	(37,694)	—	(800)	—	—	—	(38,494)
Accretion of preferred stock	—	—	—	—	2,577	—	(2,577)	—	—	—	—
Preferred stock dividends declared	—	—	—	—	—	—	(3,220)	—	—	—	(3,220)
Distribution to NASD for insurance agency	—	—	(1,612)	—	—	—	—	—	—	—	(1,612)
Restricted stock awards, net of forfeitures	—	—	—	—	—	—	—	—	(5,258)	5,258	—
Amortization and vesting of restricted stock	114,669	1	(113)	1,128	—	—	—	—	1,358	(1,016)	1,358
Stock options exercised	4,131,058	—	20,163	53,109	—	—	—	—	—	—	73,272
Other purchases of common stock by related parties or affiliated entities	106,347	—	98	1,293	—	—	—	—	—	—	1,391
Transactions related to the acquisition and financing of the INET transaction	(176,250)	—	9,190	(6,897)	—	—	—	—	—	—	2,293
Balance at December 31, 2005	83,148,909	$ 1,307	$ 383,669	$(613,369)	$ 95,017	$ —	$ 385,794	$ (1,290)	$ (4,930)	$ 6,809	$ 253,007

	Number of Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Common Stock in Treasury	Preferred Stock Series C and D (at 12/31/05) (B and C at 12/31/04)	Preferred Stock Series A and B	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Deferred Stock Compensation	Common Stock Issuable	Total
Net income	—	—	—	—	—	—	127,893	—	—	—	127,893
Change in unrealized gains (losses) on available-for-sale investments, net of tax of $(95,082)	—	—	—	—	—	—	—	147,320	—	—	147,320
Foreign currency translation	—	—	—	—	—	—	—	37	—	—	37
Employee benefit adjustments, net of tax of $6,366	—	—	—	—	—	—	—	(9,863)	—	—	(9,863)
Comprehensive income for the year ended December 31, 2006	—	—	—	—	—	—	—	—	—	—	265,387
Proceeds from public equity offerings	26,542,142	—	630,024	342,394	—	—	—	—	—	—	972,418
Accretion of preferred stock and dividends declared	—	—	—	—	331	—	(690)	—	—	—	(359)
Redemption of Series C Cumulative and Series D preferred stock	—	—	—	—	(95,348)	—	—	—	—	—	(95,348)
Adoption of FAS 123R	—	—	33,027	—	—	—	—	—	4,930	(6,809)	31,148
Amortization and vesting of restricted stock	180,518	—	1,459	2,021	—	—	—	—	—	—	3,480
Stock options exercised	2,470,545	—	(2,831)	30,813	—	—	—	—	—	—	27,982
Other purchases of common stock by related parties or affiliated entities	(24,127)	—	1,251	(1,611)	—	—	—	—	—	—	(360)
Balance at December 31, 2006	112,317,987	$ 1,307	$1,046,599	$(239,752)	$ —	$ —	$512,997	$ 136,204	$ —	$ —	$1,457,355

See accompanying notes to consolidated financial statements.

The Nasdaq Stock Market, Inc.

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2006	2005	2004
Reconciliation of net income to cash provided by operating activities			
Net income	$ 127,893	$ 61,690	$ 11,362
Net income from discontinued operations	—	—	9,558
Net income from continuing operations	127,893	61,690	$ 1,804
Non-cash items included in net income:			
Depreciation and amortization	70,916	66,986	76,336
Share-based compensation	9,871	1,358	541
Income tax (benefit) provision related to share-based compensation	(24,758)	(21,543)	161
Provision for bad debts	464	2,998	1,074
Loss on the early extinguishment and refinancing of debt obligations	22,032	7,393	—
Gain on foreign currency option contracts	(48,391)	—	—
Deferred taxes, net	13,404	3,469	26,970
Loss on the write-down of assets held-for-sale	5,925	—	7,369
Other non-cash items included in net income	(61)	2,543	7,618
Net change in operating assets and liabilities, net of effects of acquisitions:			
Receivables, net	9,524	1,460	26,360
Other assets	(22,060)	(21,750)	820
Accounts payable and accrued expenses	42,151	27,030	(2,132)
Accrued personnel costs	(207)	(2,864)	(1,323)
Deferred revenue	(389)	(3,746)	4,916
Other accrued liabilities	5,017	(4,113)	(21,230)
Obligation under capital leases	—	—	(1,607)
Payables to related parties	(8,063)	8,584	(13,951)
Other liabilities	(2,193)	(8,592)	3,299
Cash provided by operating activities	201,075	120,903	117,025
Cash flows from investing activities			
Proceeds from redemptions of available-for-sale investments	581,670	559,200	240,881
Purchases of available-for-sale investments, net of capital return from the LSE	(1,827,057)	(591,647)	(235,233)
Proceeds from maturities of available-for-sale investments	38,780	26,200	—
Proceeds from maturities of held-to-maturity investments	—	47,921	26,828
Proceeds from redemptions of held-to-maturity investments	—	14,781	—
Purchases of held-to-maturity investments	—	(32,009)	(29,058)
Purchase of foreign currency option contracts	(23,350)	—	—
Acquisitions of businesses, net of cash and cash equivalents acquired	(53,959)	(970,467)	(190,000)
Purchases of property and equipment	(21,035)	(25,402)	(26,029)
Proceeds from sales of property and equipment	30,568	18,040	11,299
Cash used in investing activities	(1,274,383)	(953,383)	(201,312)
Cash flows from financing activities			
Proceeds from debt obligations	2,000,000	955,000	—
Payments of debt obligations	(1,689,177)	(25,000)	—
Net proceeds from equity offerings	972,418	—	—
Issuances of common stock, net of treasury stock purchases	27,126	52,857	2,188
Series C Cumulative preferred stock redemptions and dividends	(105,059)	(43,326)	(8,644)
Income tax benefit related to share-based compensation	24,758	—	—
Cash provided by (used in) financing activities	1,230,066	939,531	(6,456)
Increase (decrease) in cash and cash equivalents	156,758	107,051	(90,743)
Cash and cash equivalents at beginning of year	165,237	58,186	148,929
Cash and cash equivalents at end of year	$ 321,995	$ 165,237	$ 58,186
Supplemental Disclosure Cash Flow Information			
Cash paid for (received):			
Interest	$ 86,812	$ 15,705	$ 11,483
Income taxes, net of refund	$ 22,849	$ 37,061	$ (49,986)
Supplemental Disclosure Non-Cash Flow Activity			
Exchange of preferred securities	$ —	$ —	$ (8,540)

See accompanying notes to consolidated financial statements.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements

1. Organization and Nature of Operations

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 simultaneous with the integration of our trading systems for these securities.

Prior to December 20, 2006 we were a subsidiary of NASD. NASD maintained voting control over us through its ownership of the one outstanding share of our Series D preferred stock and NASD consolidated our financial position and results of operations in its consolidated financial statements. On December 20, 2006, the Exchange entered into a transitional regulatory services agreement with NASD. Upon the effectiveness of the agreement and the submission to the SEC of a related filing by NASD, Nasdaq was removed as a party to the Delegation Plan and Nasdaq redeemed the one share of Series D preferred stock that had been issued to NASD. The removal of Nasdaq from the Delegation Plan was the final SEC condition to the Exchange beginning to operate as an exchange for trading of non-Nasdaq listed securities. NASD had achieved full divestiture of ownership of our common stock, with the sale of its remaining shares of our common stock in July 2006.

Nasdaq, through its subsidiaries, is a leading provider of securities listing, trading, and information products and services. Our revenue sources are diverse and include revenues from transaction services, market data products and services, listing fees, insurance products, shareholder and newswire services and financial products. The Exchange is the largest electronic equity securities market in the United States, both in terms of number of listed companies and traded share volume. We also operate, through the Exchange, The Nasdaq Market Center, which provides our market participants with the ability to access, process, display and integrate orders and quotes in The Nasdaq Stock Market and other national stock exchanges.

We manage, operate and provide our products and services in two business segments, our Market Services segment and Issuer Services segment.

Market Services . Our Market Services segment includes our transaction-based business and our market information services business. The Nasdaq Market Center is our transaction-based platform that provides our market participants with the ability to access, process, display and integrate orders and quotes, enabling our customers to execute trades in over 7,700 equity securities (including ETFs) during 2006. The Nasdaq Market Center allows us to route and execute buy and sell orders as well as report transactions for Nasdaq-listed securities and those securities listed on other national securities exchanges, providing fee-based revenues. We also generate revenues by providing varying levels of quote and trade information to market participants and data vendors, who in turn sell subscriptions for this information to the public. Our systems enable vendors to gain direct access to our detailed order data, index information, mutual fund pricing information, and corporate action information on Nasdaq-listed securities.

Issuer Services . Our Issuer Services segment includes our securities listings business, insurance business, shareholder and newswire services and our financial products business. The companies listed on The Nasdaq Stock Market represent a diverse array of industries including information technology, financial services, healthcare, consumer products and industrials. We also develop and license financial products and associated derivatives based on Nasdaq indexes. These include the QQQ, which is an ETF, based on the Nasdaq-100 Index. In 2006, the QQQ was one of the most actively traded ETFs in the world and the most actively traded listed security in the United States. In addition, we generate revenues by licensing and listing third-party structured products and third-party sponsored ETFs. For further discussion of our segments, see Note 20, “Segments.” In October 2006, we announced an agreement with PowerShares that will transfer the sponsorship functions including sales, marketing and administration of our QQQ, EQQQ and BLDRs ETFs. See Note 19, “Commitments, Contingencies and Guarantee,” for further discussion.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Nasdaq, its wholly-owned subsidiaries and other entities in which Nasdaq has a controlling financial interest. All significant intercompany accounts and transactions have been eliminated in consolidation. We consolidate all entities in which we own more than 50% of the outstanding voting stock unless we do not control the entity.

Our current ownership investment in the LSE is approximately 28.8% (after taking into effect LSE's share buybacks). 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, generally leads 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 are not able to exercise significant influence over the operational and financial policies of the LSE pursuant to paragraph 4d of FIN 35 as the equity method of accounting for our investment in the LSE would require 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 GAAP and prepare a full purchase price allocation as required under APB 18. At this point, this information is not available to us. Therefore, we have concluded that we do not exert significant influence over the LSE pursuant to APB 18. Thus we have accounted for our investment in the LSE in accordance with SFAS 115 and include our LSE shares in available-for-sale investments, at fair value in the Consolidated Balance Sheets. Unrealized gains and losses, including foreign currency gains/losses, are included in accumulated other comprehensive income in the Consolidated Balance Sheets until the sale or redemption of the shares.

Financial Statement Preparation

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Certain prior year amounts have been reclassified to conform to the current year presentation.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and all non-restricted highly liquid investments with original maturities of three months or less at the time of purchase. Such equivalent investments included in cash and cash equivalents in the Consolidated Balance Sheets were $304.4 million at December 31, 2006 and $159.1 million at December 31, 2005. Cash equivalents are carried at cost plus accrued interest, which approximates fair value due to the short maturities of these investments.

Investments

Under SFAS 115 management determines the appropriate classification of investments at the time of purchase. Investments for which we do not have both the intent and ability to hold to maturity are classified as "available-for-sale" and are carried at fair market value, with the unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity. Fair value is determined based on quoted market prices when available, or if quoted market prices are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the investment. Investments for which we have the intent and ability to hold to maturity are classified as "held-to-maturity" and are carried at amortized cost. The

amortized cost of debt securities classified as held-to-maturity or available-for-sale is adjusted for amortization of premiums and accretion of discounts, which are included in interest income in the Consolidated Statements of Income. Realized gains and losses on sales of securities are included in earnings using the specific identification method.

We regularly monitor and evaluate the realizable value of our investment security portfolio. When assessing securities for other-than-temporary declines in value, we consider such factors as, among other things, the duration for which the market value had been less than cost, any news that has been released specific to the investee, analyst coverage and the outlook for the overall industry in which the investee operates. For equity securities we also consider the performance of the investee's stock price in relation to industry indexes and review the investee's credit profile. There were no impairment charges recorded on our investments during the years ended December 31, 2006, 2005 and 2004.

As of December 31, 2006, there were no hedges on our investments that met the hedging criteria under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," or SFAS 133. See Note 16, "Fair Value of Financial Instruments," for further discussion. However we periodically reevaluate our hedging policies and may choose to enter into future transactions.

Receivables, net

Our receivables are concentrated with NASD member firms, market data vendors and Nasdaq-listed companies. Receivables are shown net of reserves for uncollectible accounts. The reserve for bad debts is maintained at a level that management believes to be sufficient to absorb estimated losses in the accounts receivable portfolio. The reserve is increased by the provision for bad debts which is charged against operating results and decreased by the amount of charge-offs, net of recoveries. The amount charged against operating results is based on several factors including, but not limited to, a continuous assessment of the collectibility of each account, the length of time a receivable is past due and our historical experience with the particular customer. In circumstances where a specific customer's inability to meet its financial obligations is known (i.e., bankruptcy filings), we record a specific provision for bad debts against amounts due to reduce the receivable to the amount we reasonably believe will be collected. Due to changing economic, business and market conditions, we review the reserve for bad debts monthly and make changes to the reserve through the provision for bad debts as appropriate. If circumstances change (i.e., higher than expected defaults or an unexpected material adverse change in a major customer's ability to pay), our estimates of recoverability could be reduced by a material amount. Total reserves netted against receivables in the Consolidated Balance Sheets were $2.8 million at December 31, 2006 and $7.2 million at December 31, 2005.

Related Party Transactions

Related party receivables and payables are the result of various transactions between us and our affiliates. Prior to December 20, 2006 we were a subsidiary of NASD and transactions between Nasdaq and NASD were considered related party transactions. As discussed in Note 1, "Organization and Nature of Operations," NASD achieved full divestiture of ownership of our common stock in 2006 and the one share of Series D preferred stock held by NASD was redeemed by Nasdaq on December 20, 2006. Therefore, as of December 20, 2006, NASD is no longer considered a related party.

Prior to December 20, 2006, payables to related parties were comprised primarily of the regulation charge from NASDR. NASDR charges us for costs incurred related to our market regulation and enforcement, which are recorded as support costs from related parties, net in the Consolidated Statements of Income. See Note 13, "Related Party Transactions," for further discussion.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Deposits

Other current assets and other assets include deposits of $1.7 million at December 31, 2006 and $4.2 million at December 31, 2005. In 2006, the deposits were primarily held at NSCC for Nasdaq Execution Services', a registered broker-dealer subsidiary, settlement of trades. In 2005, the deposits were held at clearing organizations and clearing brokers also for Nasdaq Execution Services, primarily for clearance and settlement services.

Property and Equipment, net

Property and equipment, including leasehold improvements, are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are generally recognized over the estimated useful lives of the related assets. Estimated useful lives generally range from 10 to 40 years for buildings and improvements, two to five years for data processing equipment and software and five to 10 years for furniture and equipment. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining term of the related lease. Depreciation and amortization are computed by the straight-line method. See Note 6, "Property and Equipment, net," for further discussion.

Goodwill

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of a business acquired. Goodwill is tested for impairment at the reporting unit level annually, or in interim periods if certain events occur indicating that the carrying value may be impaired. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill is less than the carrying value. We completed the required annual impairment test, which resulted in no impairment of goodwill in 2006 and 2005.

Intangible Assets, net

Intangible assets, net, which primarily include technology and customer relationships, are amortized on a straight-line basis over their estimated average useful lives, ranging from 1 year to 20 years. Upon the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," or SFAS 142, intangible assets deemed to have indefinite useful lives are not amortized and are subject to annual impairment tests. Impairment exists if the carrying value of the indefinite-lived intangible asset exceeds its fair value. For finite lived intangible assets subject to amortization, impairment is considered upon certain "triggering events" and is recognized if the carrying amount is not recoverable and the carrying amount exceeds the fair value of the intangible asset.

Valuation of Long-Lived Assets

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets," or SFAS 144, we assess potential impairments to our long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to operating results.

We recorded write-downs for property and equipment of $5.9 million in 2006 related to the sale of a building and related assets located in Trumbull, Connecticut, and $7.4 million in 2004 related to the sale of a building and

related assets located in Rockville, Maryland. The carrying value of the buildings and related assets were adjusted to their fair market value less costs to sell, which were determined based on quoted market prices from independent third parties. These charges are included in general, administrative and other expense in the Consolidated Statements of Income. See Note 5, "Cost Reduction Program, INET Integration and Strategic Review," for further discussion.

Revenue Recognition and Cost of Revenues

Market Services Revenues

Market Services revenues are derived from The Nasdaq Market Center and Nasdaq Market Services Subscriptions revenues. The Nasdaq Market Center revenues are variable, based on service volumes, and recognized as transactions occur. Nasdaq Market Services Subscriptions revenues are based on the number of presentation devices in service and quotes delivered through those devices. Nasdaq Market Services Subscriptions revenues are recognized in the month that information is provided. These revenues are recorded net of amounts due under revenue sharing arrangements with market participants.

The Nasdaq Market Center

Pursuant to EITF 99-19, we record execution revenues from transactions on a gross basis in revenues and record related expenses such as liquidity rebate payments and execution costs as cost of revenues. We have recorded execution revenues related to the Brut and INET platforms on a gross basis since the related acquisitions, as Brut and INET have historically had risk as principal on transactions executed through their respective platforms. On February 1, 2006, Brut and INET merged together into a single broker-dealer, Brut, LLC, which was later renamed, Nasdaq Execution Services. All routed transactions are executed through Nasdaq Execution Services. Nasdaq Execution Services is registered with the SEC as a broker-dealer. Nasdaq Execution Services, as a broker-dealer, acts as principal to the transactions executed through The Nasdaq Market Center, which exposes Nasdaq Execution Services to clearance and settlement risk.

Starting with the second quarter of 2005, we have reported execution revenues from transactions on our legacy Nasdaq platform on a gross basis in revenues and reported related expenses as cost of revenues, as we have certain risk associated with trade execution, subject to rule limitations and caps, as a result of our Limitation of Liability Rule. This change in presentation was implemented on a prospective basis beginning April 1, 2005 as required under GAAP, as a direct result of the rule change. Following our move to a single platform, we continue to have execution risk on non-routed transactions that are conducted on our platform. We do not record a liability for any potential claims that may be submitted under the rule unless they meet the provisions of SFAS 5. As such, losses arising as a result of the rule are accrued and charged to expense only if the loss is probable and estimable.

Prior to the second quarter of 2005, execution revenues and the related expenses were recorded on a net basis as we did not act on a principal basis on any trades executed through our systems. In addition, under NASD Rule 4705, we historically disclaimed any liability for losses arising from malfunctions of The Nasdaq Market Center. This rule eliminated liability or risk of loss to us for system failures.

We are required to pay Section 31 fees to the SEC for supervision and regulation of securities markets, which are included in cost of revenues. We pass these costs along to our customers through our execution revenues.

Nasdaq Market Services Subscriptions

Nasdaq Market Services Subscriptions revenues are based on the number of distributors receiving information, the reported presentation devices in service and quotes delivered through those devices. Nasdaq

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Market Services Subscriptions revenues are recognized in the month the information is reported. These revenues are recorded net of amounts due under revenue sharing arrangements with market participants.

The most significant component of Nasdaq Market Services Subscriptions revenues presented on a net basis in accordance with EITF 99-19 is the UTP Plan revenue sharing. All indicators of gross vs. net reporting pursuant to EITF 99-19 have been considered in analyzing the appropriate presentation of UTP Plan revenue sharing. However, the following are the primary indicators of net reporting:

- Primary Obligor: We are the Securities Information Processor for the UTP Plan, in addition to being a participant in the UTP Plan. In our unique role as Securities Information Processor, we only facilitate the collection and dissemination of revenues on behalf of the UTP Plan participants. As a participant, we share in the net distribution of revenue according to the plan on the same terms as all other plan participants.
- Risk of Loss/Credit Risk: Risk of loss on the revenue is shared equally among plan participants according to the UTP Plan.
- Price Latitude: The Operating Committee of the UTP Plan which is comprised of representatives from each of the participants, including us solely in our capacity as a UTP Plan participant, is responsible for setting the level of fees to be paid by vendors, subscribers and taking action in accordance with the provisions of the UTP Plan, subject to SEC approval.

Issuer Services Revenues

Issuer Services revenues include Corporate Client Group revenues and Nasdaq Financial Products revenues. Corporate Client Group revenues include annual fees, initial listing fees, listing of additional shares fees and Corporate Client services fees. Annual fees are recognized ratably over the following 12-month period. Initial listing and listing of additional shares fees are recognized on a straight-line basis over estimated service periods, which are six and four years, respectively, based on our historical listing experience, pursuant to the requirements of SAB Topic 13.

Corporate Client Group revenues also includes fees from Corporate Client services which includes commission income from Carpenter Moore (including Nasdaq Insurance Agency LLC), subscription income from Shareholder.com and fees from PrimeNewswire. For our insurance business commission income is recognized when coverage becomes effective, the premium due under the policy is known or can be reasonably estimated, and substantially all required services related to placing the insurance have been provided. The effect on income of subsequent premium adjustments, including policy cancellations, is recorded when the adjustment is known. Fee income for services other than placement of insurance coverage is recognized as those services are provided. Broker commission adjustments and commissions on premiums billed directly by underwriters are recognized when such amounts can be reasonably estimated. Shareholder.com revenues are based on subscription agreements with customers. Revenues from subscription agreements are recognized ratably over the contract period, generally one year in length. As part of subscription services, customers are also charged usage fees based upon actual usage of the services provided. Revenues from usage fees and other services are recognized when earned. PrimeNewswire generates fees primarily from wire distribution services, and revenues are recognized as services are provided.

Nasdaq Financial Products' revenues include license fees for our trademark licenses related to the QQQ and other financial products linked to our indexes issued in the United States and abroad. We primarily have two types of license agreements, transaction-based licenses and asset-based licenses. Transaction-based licenses are generally renewable long-term agreements. Customers are charged based on transaction volume or a minimum contract

amount, or both. If a customer is charged based on transaction volume, we recognize revenue when the transaction occurs. If a customer is charged based on a minimum contract amount, we recognize revenue on a pro-rata basis over the licensing term. Asset-based licenses are also generally long-term agreements. Customers are charged based on a percentage of assets under management for licensed products, per the agreement, on a monthly or quarterly basis. These revenues are recorded on a monthly or quarterly basis over the term of the license agreement.

Earnings Per Share

We compute earnings per share, or EPS, in accordance with SFAS No. 128, "Earnings per Share," or SFAS 128. Basic EPS is computed by dividing net income applicable to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the assumed conversion of all dilutive securities which consists primarily of convertible notes and employee stock options and awards. See Note 15, "Earnings Per Common Share," for further discussion.

Share-Based Compensation

On January 1, 2006, we adopted SFAS 123(R), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees including employee stock options, restricted stock and certain employee stock purchase plans, based on estimated fair values. SFAS 123(R) supersedes our previous accounting under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," or APB 25. In March 2005, the SEC issued Staff Accounting Bulletin No. 107, or SAB 107, relating to SFAS 123(R). We have applied the provisions of SAB 107 in our adoption of SFAS 123(R).

We adopted SFAS 123(R) using the modified prospective transition method and have recognized share-based compensation cost in the consolidated financial statements for the year ended December 31, 2006. We recognize compensation expense for share-based awards on a straight-line basis over the requisite service period of the award. In accordance with the modified prospective transition method, the consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123(R). We recognized share-based compensation expense of $9.9 million under SFAS 123(R) for the year ended December 31, 2006 and included this amount in compensation and benefits expense in the Consolidated Statements of Income. We recognized share-based compensation expense of $1.4 million for the year ended December 31, 2005, and $0.5 million for the year ended December 31, 2004, which was related to restricted stock awards we had been expensing under previous accounting standards. We did not recognize any share-based compensation expense related to employee stock options during the years ended December 31, 2005 and 2004. See Note 12, "Share-Based Compensation," for further discussion.

Deferred Revenue

Deferred revenue represents cash received for billed receivables primarily for the Corporate Client Group, which are unearned until services are provided. See Note 8, "Deferred Revenue," for further discussion.

Advertising Costs

We expense advertising costs, which include media advertising and production costs, in the periods in which the costs are incurred. Media advertising and production costs included as marketing and advertising expense in the Consolidated Statements of Income totaled $11.9 million for the year ended December 31, 2006, $3.7 million for the year ended December 31, 2005 and $6.3 million for the year ended December 31, 2004.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Software Costs

Significant purchased application software and operational software that are an integral part of computer hardware are capitalized and amortized on a straight-line basis over their estimated useful lives, generally two to five years. All other purchased software is charged to expense as incurred.

The provisions of SOP 98-1 require certain costs incurred in connection with developing or obtaining internal use software to be capitalized. Unamortized capitalized software development costs of $11.9 million at December 31, 2006 and $32.4 million at December 31, 2005, are included in data processing equipment and software, within property and equipment, net in the Consolidated Balance Sheets. Amortization of costs capitalized under SOP 98-1 totaled $25.0 million for the year ended December 31, 2006, $30.2 million for the year ended December 31, 2005 and $18.9 for the year ended December 31, 2004. These amounts are included in depreciation and amortization expense in the Consolidated Statements of Income. Additions to capitalized software were $4.5 million in 2006 and $8.9 million in 2005.

Income Taxes

We and our eligible subsidiaries file a consolidated U.S. federal income tax return and all applicable state and local returns. We use the asset and liability method required by SFAS 109 to provide income taxes on all transactions recorded in the consolidated financial statements. Deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities (i.e., temporary differences) and are measured at the enacted rates that will be in effect when these differences are realized. If necessary, a valuation allowance is established to reduce deferred tax assets to the amount that is more likely than not to be realized.

In June 2006, the FASB issued a new interpretation of accounting for uncertainty in income taxes. For further discussion, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Future Accounting Requirements.

Foreign Currency Translation

Assets and liabilities denominated in non-U.S. dollar functional currencies are translated to U.S. dollars at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates during the year. In accordance with SFAS No. 52, "Foreign Currency Translation," or SFAS 52, gains or losses from translating foreign currency financial statements, net of hedge gains or losses, if any, and related tax effects are included in stockholders' equity. Gains or losses resulting from foreign currency transactions are include in net income.

3. Business Combinations

Purchase Acquisitions and Combinations

We completed the following six acquisitions and asset purchases in 2006, 2005 and 2004:

- *Acquisition of PrimeNewswire, September 1, 2006*— We acquired PrimeNewswire, a privately held press release newswire services firm, enabling us to offer information distribution and multimedia services as part of our Corporate Client services.
- *Acquisition of Shareholder.com, February 1, 2006*— We acquired Shareholder.com, a privately held shareholder communications and investor relations intelligence service, enabling us to offer these services as part of our Corporate Client services.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

- *Acquisition of Instinet Group, December 8, 2005* —Through this acquisition, we acquired the INET platform, which we believe enables us to enhance our premier electronic equities market and provides superior execution opportunities for our customers. We recently completed the integration of Nasdaq's legacy execution system and the Brut and INET execution systems onto a single platform.
- *Acquisition of Carpenter Moore, October 1, 2005* —We acquired Carpenter Moore to increase our depth of brokerage expertise in directors and officers, errors and omissions and other management liability insurance products and to expand the regional coverage by our insurance business through Carpenter Moore's unique co-brokerage distribution model. These services are part of our Corporate Client services.
- *Purchase of remaining 50.0% interest in the Nasdaq Insurance Agency, January 1, 2005* —We purchased the remaining 50.0% interest in the Nasdaq Insurance Agency from AIG. The purchase did not have any impact on the operations of the agency. As of January 1, 2005, we consolidated Nasdaq Insurance Agency's financial position and results of operations in our consolidated financial statements as part of our Corporate Client services. Before January 1, 2005, we accounted for our investment in Nasdaq Insurance Agency under the equity method of accounting.
- *Acquisition of Brut, September 7, 2004*— We acquired Brut to enhance our execution quality, provide additional quote information and create a deeper pool of liquidity in Nasdaq-listed securities and non-Nasdaq-listed securities.

The results of operations of each acquisition and asset purchase are included in Nasdaq's Consolidated Statements of Income from the dates of each acquisition.

The following table presents a summary of the acquisitions and asset purchases in 2006, 2005 and 2004:

	Purchase Consideration	Total Net (Liabilities) Assets Acquired	Purchased Intangible Assets	Goodwill
		(in thousands)		
2006				
PrimeNewswire	$ 18,000[2]	$ (1,300) [1]	$ 5,170	$ 12,296
Shareholder.com	40,000[2]	(2,069) [1]	10,159	31,910
Total for 2006	58,000	(3,369)	15,329	44,206
2005				
INET	968,900	(3,100) [1]	172,870	799,130
Carpenter Moore	27,500[2]	240[1]	8,600	18,660
Nasdaq Insurance Agency	—	(1,577)	1,000	577
Total for 2005	996,400	(4,437)	182,470	818,367
2004				
Brut	190,000	6,270	42,000	141,730
Total	$1,244,400	$ (1,536)	$ 239,799	$1,004,303

(1) We acquired net assets of PrimeNewswire totaling $0.7 million and recorded non-current deferred tax liabilities of $2.0 million related to PrimeNewswire's intangible assets resulting in total net liabilities acquired of $1.3 million. We acquired net assets of Shareholder.com totaling $1.1 million and recorded non-current deferred tax liabilities of $3.2 million related to Shareholder.com's intangible assets resulting in total net liabilities acquired of $2.1 million. We acquired net assets of INET totaling $64.7 million and

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

recorded non-current deferred tax liabilities of $67.8 million related to INET's intangible assets resulting in total net liabilities acquired of $3.1 million. We acquired net assets of Carpenter Moore totaling $2.5 million and recorded non-current deferred tax liabilities of $2.3 million related to Carpenter Moore's intangible assets resulting in total net assets of $0.2 million.

(2) PrimeNewswire purchase consideration includes $1.8 million included in compensation and benefits expense in the Consolidated Statements of Income related to incentive payments held in escrow to be paid in 2008 in accordance with the purchase agreement. Shareholder.com purchase consideration included $4.0 million held in escrow for post closing settlement adjustments to be paid in 2007 in accordance with the purchase agreement. Carpenter Moore purchase consideration included $11.8 million held in escrow for post-closing settlement adjustments. See "Escrow Agreements," of Note 19, "Commitments, Contingencies and Guarantee," for further discussion.

We finalized the allocation of the purchase price for the 2005 and 2004 acquisitions, except for certain litigation related to INET. See Note 19, "Commitments, Contingencies and Guarantee," for further discussion. The purchase price allocation for our 2006 acquisitions will be finalized within one year from the purchase date.

The following table presents the details of the purchased intangible assets acquired in the 2006, 2005 and 2004 acquisitions. All purchased intangible assets are amortized using the straight-line method. See Note 4, "Goodwill and Purchased Intangible Assets," for further discussion.

	Technology		Customer Relationships		Other		Total
	Estimated Useful Life (in Years)	Amount	Estimated Useful Life (in Years)	Amount	Estimated Useful Life (in Years)	Amount	Amount
			(in thousands, except years)				
2006							
PrimeNewswire	5	$ 1,600	11	$ 3,100	3-5[1]	$ 470	$ 5,170
Shareholder.com	5	959	11	6,800	Indefinite[2]	2,400	10,159
Total for 2006		2,559		9,900		2,870	15,329
2005							
INET	5	9,400	13	163,100	1	$ 370	172,870
Carpenter Moore	10	1,000	20	6,000	4.5	1,600	8,600
Nasdaq Insurance Agency	—	—	7	1,000	—	—	1,000
Total for 2005		10,400		170,100		1,970	182,470
2004							
Brut	10[3]	15,700	10	26,300	—	—	42,000
Total		$28,659		$206,300		$4,840	$239,799

(1) Includes non-compete agreements which have estimated useful lives of 3 years and the PrimeNewswire tradename which we determined to have an estimated useful life of 5 years.

(2) Represents the Shareholder.com trade name which we determined to have an indefinite estimated useful life.

(3) The Brut technology software license was originally amortized over an estimated useful life of ten years on a straight-line basis. As a result of Nasdaq's acquisition of INET and Nasdaq's plans to replace Brut's technology with INET's technology, a recoverability test was performed pursuant to SFAS 144, as the acquisition and planned technology retirement was deemed an impairment "triggering event". As a result of the recoverability test, Nasdaq determined that the Brut technology software license was not impaired. However, as a result of the plans, Nasdaq changed the estimated useful life of the technology software license to nine months, consistent with the estimated implementation of INET's technology.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Pro Forma Information for the INET Acquisition

On December 8, 2005 we acquired INET. The consolidated financial statements include the operating results of INET from the date of acquisition. Unaudited pro forma combined historical results to reflect INET for the year ended December 31, 2005 are included in the table below. For the year ended December 31, 2005 the unaudited pro forma combined historical results combine the historical consolidated statements of income of Nasdaq and INET, giving effect to the acquisition as if it had occurred on January 1, 2005. We also acquired PrimeNewswire and Shareholder.com in 2006 and the remaining 50.0% interest in the Nasdaq Insurance Agency and Carpenter Moore in 2005, but have not included results from these businesses in these pro forma results as these acquisitions were not considered significant under Regulation S-X on either an individual or aggregate basis.

	Year Ended December 31, 2005 (in thousands, except per share amounts)	
Revenues	$	1,286,467
Gross margin		641,893
Net income from continuing operations		90,743
Net income applicable to common stockholders		84,146
Basic earnings per share	$	1.04
Diluted earnings per share	$	0.83

The pro forma results include amortization of purchased intangible assets and the elimination of intercompany transactions had Nasdaq and INET acted as a combined company. The pro forma results also include additional interest expense recorded for the debt incurred and restructured in connection with the financing of the INET acquisition, which included: (1) the issuance of $205 million convertible notes to Silver Lake Partners, II, L.P., or SLP, ($141.4 million), Hellman & Friedman Capital Partners IV, L.P., or H&F, ($60.0 million) and other partners ($3.6 million) on April 22, 2005, (2) the restructuring of the $240 million convertible notes issued to H&F (including a $7.4 million pre-tax loss on the restructuring) and (3) the issuance of the $750 million senior term loan facility. The pro forma results are not necessarily indicative of what actually would have occurred if the acquisition had been completed as of the beginning of 2005, nor are they necessarily indicative of future consolidated results.

Acquisition of Joint Venture

- *Independent Research Network Joint Venture, June 7, 2005* —Nasdaq and Reuters announced the formation of the IRN, a new joint venture created to help public companies obtain independent analyst coverage. The IRN's business plan is to aggregate multiple, independent research providers to procure and distribute equity research on behalf of under-covered companies to increase the market's understanding of a company's fundamental prospects. The service is targeted to all companies listed in the U.S. as well as private companies looking for research coverage.

  To fund the operations of the IRN in July 2005, Nasdaq contributed $1.8 million and Reuters contributed $1.2 million. The IRN began operations in the third quarter of 2005 and we consolidate IRN's financial position and results of operations. We recorded minority interest of approximately $0.1 million at December 31, 2006 and $1.0 million at December 31, 2005 in the Consolidated Balance Sheets for Reuters' share of IRN's equity.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

4. Goodwill and Purchased Intangible Assets

Goodwill

The following table presents the changes in goodwill by business segment during the year ended December 31, 2006:

	Market Services	Issuer Services	Total
		(in thousands)	
Balance at December 31, 2005	$941,275	$20,618	$ 961,893
Goodwill acquired	—	44,206	44,206
Purchase accounting adjustments	23,710	(1,063)	22,647
Balance at December 31, 2006	$964,985	$63,761	$1,028,746

The increase in goodwill acquired for Issuer Services relates to the acquisitions of PrimeNewswire and Shareholder.com. See Note 3, "Business Combinations," for further discussion. The purchase accounting adjustments for Market Services primarily relates to a decrease in the amount of expected tax benefits to be realized from the sale of the Institutional Brokerage division based on a detailed review of the tax basis of the assets sold. In connection with the INET acquisition, this division was sold to an affiliate of SLP. The purchase accounting adjustments for Issuer Services primarily relates to the Carpenter Moore acquisition.

Purchased Intangible Assets

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

	December 31, 2006			December 31, 2005		
	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets
			(in thousands)			
Technology	$ 28,659	$ (18,108)	$ 10,551	$ 26,100	$ (4,108)	$ 21,992
Customer relationships	205,500	(20,972)	184,528	196,400	(4,775)	191,625
Other	5,640	(1,100)	4,540	1,970	(109)	1,861
Total	$ 239,799	$ (40,180)	$ 199,619	$ 224,470	$ (8,992)	$ 215,478

Amortization expense for purchased intangible assets was $31.2 million for the year ended December 31, 2006, $7.5 million for the year ended December 31, 2005 and $1.7 million for the year ended December 31, 2004.

The estimated future amortization expense of purchased intangible assets as of December 31, 2006 is as follows:

	(in thousands)
2007	$ 19,561
2008	19,383
2009	19,341
2010	19,050
2011 and thereafter	119,884
Total	$ 197,219

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

5. Cost Reduction Program, INET Integration and Strategic Review

Cost Reduction Program and INET Integration

We incurred charges of approximately $40.9 million in 2006 in connection with actions we took to improve our operational efficiency as well as to integrate INET. We incurred charges of approximately $20.0 million in 2005 and $62.6 million in 2004 in connection with actions we took to improve our operational efficiency. Charges associated with our cost reduction program and INET integration are expected to cease during the second quarter of 2007. The following table summarizes these charges which are included in the Consolidated Statements of Income:

	Year Ended December 31,		
	2006	2005	2004
		(in millions)	
Real estate consolidation, net	$ 5.9	$ (5.4)	$ 29.0
Reductions in force	6.5	4.6	9.4
Technology migration	28.5	20.8	24.2
Total cost reduction charges	$ 40.9	$ 20.0	$ 62.6

Real Estate Consolidation

During 2004, our management re-evaluated all of our owned and leased real estate and determined that we would consolidate staff into fewer locations and save significant costs. More detail on our real estate consolidation, our lease at our headquarters, as well as our other leased, subleased and owned properties is provided below.

New York

As of December 31, 2003 we had a sublease loss reserve of $20.5 million related to our leased property at 1500 Broadway. In 2004, we signed subleases for all of our space at 1500 Broadway. At December 31, 2006, 2005 and 2004, we updated the sublease loss reserve based on current assumptions and known sublease incomes and recorded an additional loss of $1.7 million in 2005 and $1.2 million in 2004, to general, administrative and other expense in the Consolidated Statements of Income. At December 31, 2006, the sublease loss reserve was considered adequate and no additional loss was recorded. In 2005, the additional loss recorded was primarily due to an increase in real estate taxes as a result of a reassessment of the building. The additional loss recorded in 2004 was primarily due to a change in the assumption of sublease term commencement dates.

In 2004, as part of our real estate consolidation plans, management decided not to occupy expansion space that it had leased at our headquarters in New York. As a result, during 2004, we recorded a sublease loss reserve of $12.8 million, included in general, administrative and other expense in the Consolidated Statements of Income, for this expansion space, which was to commence on October 1, 2004. We began marketing the expansion space for sublease during the third quarter of 2004. However, as a result of the acquisition of INET, management determined to occupy the expansion space for INET operations. As a result of this decision in the fourth quarter of 2005, we recorded a release of the sublease loss reserve recorded in 2004 which totaled $12.1 million, net of rental payments.

In the fourth quarter of 2004, our management decided to consolidate additional space at its headquarters in New York and recorded an additional estimated sublease loss reserve of $4.8 million for such space. This charge is included in general, administrative and other expense in the Consolidated Statements of Income. In 2005, we signed a sublease for this space with NASD. At December 31, 2006, the sublease loss reserve was considered adequate and no additional loss was recorded.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

New Jersey

As a part of our strategic review, we vacated the space Nasdaq Tools occupied at 15 Exchange Place, Jersey City, New Jersey. As of December 31, 2003 we recorded a sublease loss reserve of $1.2 million. At December 31, 2006, 2005 and 2004, we updated the sublease loss reserve based on current assumptions and recorded an additional loss of $0.6 million in 2005 and $0.2 million in 2004 to general, administrative and other expense in the Consolidated Statements of Income. In 2005 we signed a sublease for 50.0% of this space with a third party. At December 31, 2006, the sublease loss reserve was considered adequate and no additional loss was recorded. The remaining 50.0% remains available for sublease.

Maryland

During 2003, we decided to vacate part of the space we occupied in Rockville, Maryland located at 9600 Blackwell Road and recorded a sublease loss reserve of $2.3 million. In 2004, our management re-evaluated its decision to vacate the space at 9600 Blackwell and decided instead to sell the building it owned and occupied in Rockville, Maryland located at 9513 Key West Avenue. Based on our management's revised decision, we released the sublease loss reserve recorded for 9600 Blackwell which totaled $1.9 million, net of rental payments, in the third quarter of 2004, which is recorded in general, administrative and other expense in the Consolidated Statements of Income.

We began actively marketing the 9513 Key West building for sale in the fourth quarter of 2004 and in June 2005 completed the sale of the building to NASD for $17.8 million. During the fourth quarter of 2004, we recognized a $7.4 million loss, which was included in general, administrative and other expense in the Consolidated Statements of Income, on the write-down of the building's carrying amount to fair market value less cost to sell. Fair value was determined using a quoted market price from an independent third party. The building was classified as held-for-sale and was included in land, buildings and improvements with a carrying value of $17.6 million at December 31, 2004. This facility was our disaster recovery site. In September 2005, we relocated our disaster recovery site to a third party outsource facility. As a result of vacating the Key West building, we recorded $2.1 million of accelerated depreciation for certain assets for the year ended December 31, 2005.

Connecticut

In 2004, we also evaluated our real estate needs in Trumbull, Connecticut. We owned and occupied a building located at 80 Merritt Boulevard and lease and occupy a building located at 35 Nutmeg Drive. Our management determined that based on staff reductions, all employees in Trumbull would consolidate into our building at 80 Merritt Boulevard. Although our lease at 35 Nutmeg Drive terminates in July 2008, we planned on moving all employees from 35 Nutmeg Drive to 80 Merritt Boulevard before the end of the lease. To accommodate all employees in the Merritt building, two data center spaces were converted into office space. The data centers ceased being used by the end of the first quarter of 2005, and accordingly, we began accelerating the data centers' fixed assets and leasehold improvements over the new estimated useful life. We recorded $4.5 million of accelerated depreciation for the data center assets for the year ended December 31, 2004 and recorded an additional $2.3 million in the first quarter of 2005.

As part of our real estate consolidation plans, in the second quarter of 2006, we decided to sell our building and related assets located in at 80 Merritt Boulevard, Trumbull, Connecticut. As a result of this decision, the carrying value of the building and related assets was adjusted to its fair market value less costs to sell amounting to $30.8 million, 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 year ended December 31, 2006. These charges were included in general, administrative and other expense in the Consolidated Statements of Income.

Sublease Loss Reserve

The estimated sublease loss reserve for all subleased properties was approximately $22.5 million at December 31, 2006 and $23.2 million at December 31, 2005 and is included in accounts payable and accrued expenses and other liabilities in the Consolidated Balance Sheets. The reserve is adjusted throughout the year to reflect interest accretion, rental payments made during the year, depreciation on leasehold improvements if applicable and sublease receipts. The estimated losses were calculated using a 7.5% net discount rate and estimated sublease terms ranging from 4 years to 18 years at estimated market rates.

Reductions in Force

We eliminated 100 positions in 2006, 69 positions in 2005 and 172 positions in 2004 and recorded charges of $6.5 million in 2006, $4.6 million in 2005 and $9.4 million in 2004 for severance and outplacement costs. These charges were included in compensation and benefits expense in the Consolidated Statements of Income. As of December 31, 2006, we paid the severance and outplacement costs related to the charges recorded in 2005 and 2004. For the charge recorded in 2006, we paid approximately $3.7 million and expect to pay the remainder through the fourth quarter of 2007.

Technology Migration

As a result of a continued review of our technology infrastructure, we previously shortened the estimated useful life of certain assets and changed the lease terms on certain operating leases associated with our quoting platform and our trading and quoting network as we continue to migrate our technology operations to fewer, scalable, less expensive platforms, which resulted in incremental depreciation and amortization expense. The INET integration has accelerated our migration to a low-cost trading platform. As a result, the charges associated with these assets were $28.5 million in 2006. Of this amount, $25.9 million was included in depreciation and amortization expense and $2.6 million was included in computer operations and data communications expense in the Consolidated Statements of Income. The charges associated with these assets in 2005 were $20.8 million and were included in depreciation and amortization expense in the Consolidated Statements of Income. The charges associated with these assets in 2004 were $24.2 million of which $2.6 million was included in general, administrative and other expense and $21.6 million were included in depreciation and amortization expense in the Consolidated Statements of Income.

Strategic Review

During the second quarter of 2003, we announced the results of a strategic review of our operations designed to position us for improved profitability and growth. This strategic review included the elimination of non-core product lines and initiatives and resulted in a reduction in our workforce.

The liability for strategic review costs was $5.8 million at December 31, 2005. In the first quarter of 2006, we funded the majority of the remaining reserves, except a contractual sublease obligation that will continue through 2010 for the space we vacated in Jersey City, New Jersey. At December 31, 2006, the liability was approximately $0.8 million and is included in other liabilities in the Consolidated Balance Sheets.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

6. Property and Equipment, net

The following table presents the major categories of property and equipment, net:

	December 31, 2006	December 31, 2005
	(in thousands)	
Land, buildings and improvements	$ —	$ 60,920
Data processing equipment and software	114,890	179,991
Furniture, equipment and leasehold improvements	109,493	115,551
	224,383	356,462
Less: accumulated depreciation and amortization	(159,114)	(233,886)
Total property and equipment, net	$ 65,269	$ 122,576

Depreciation and amortization expense for property and equipment was $13.9 million for the year ended December 31, 2006, $28.4 million for the year ended December 31, 2005 and $71.3 million for the year ended December 31, 2004. These amounts are included in depreciation and amortization expense in the Consolidated Statements of Income.

As part of our real estate consolidation plans, in July of 2006, we completed the sale of our building and related assets located in Trumbull, Connecticut. See "Real Estate Consolidation," of Note 5, "Cost Reduction Program, INET Integration and Strategic Review," for further discussion.

7. Investments

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

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 a foreign currency gain.

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

December 31, 2005	Cost	Gross Unrealized (Losses)	Estimated Fair Market Value
		(in thousands)	
U.S. treasury securities and obligations of U.S. government agencies	$ 50,400	$ (867)	$ 49,533
Obligations of states and political subdivisions	6,062	(15)	6,047
Auction rate securities	123,856	(67)	123,789
Total	$180,318	$ (949)	$ 179,369

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

The following tables show the fair market value of our available-for-sale debt securities that have been in an unrealized loss position for less than 12 months or 12 months or longer at December 31, 2006 and 2005:

	Less Than 12 Months		12 Months or Longer		Total	
December 31, 2006	Fair Market Value	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses
			(in thousands)			
U.S. treasury securities and obligations of U.S. government agencies	$ 4,392	$ 8	$13,235	$ 65	$17,627	$ 73
Corporate bonds	27,761	58	—	—	27,761	58
Other securities	6,385	6	—	—	6,385	6
Total available-for-sale debt securities	$38,538	$ 72	$13,235	$ 65	$51,773	$ 137

	Less Than 12 Months		12 Months or Longer		Total	
December 31, 2005	Fair Market Value	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses	Fair Market Value	Gross Unrealized Losses
			(in thousands)			
U.S. treasury securities and obligations of U.S. government agencies	$ —	$ —	$49,533	$ 867	$ 49,533	$ 867
Obligations of states and political subdivisions	6,047	15	—	—	6,047	15
Auction rate securities	123,789	67	—	—	123,789	67
Total available-for-sale debt securities	$129,836	$ 82	$49,533	$ 867	$179,369	$ 949

The gross unrealized losses in the above tables were primarily due to changes in interest rates. Our management has determined that the gross unrealized losses on our available-for-sale debt securities are temporary in nature.

During the year ended December 31, 2006, available-for-sale debt securities with a fair market value at the date of sale of $581.7 million were sold. Gross realized losses on such sales totaled $0.6 million. The net adjustment after tax to unrealized holding losses on available-for-sale securities included as a separate component of stockholders' equity totaled $0.1 million for 2006. The net adjustment after tax to unrealized losses on available-for-sale securities included as a separate component of stockholders' equity due to the sale of securities totaled $0.9 million for 2006.

During the year ended December 31, 2005, available-for-sale debt securities with a fair market value at the date of sale of $51.3 million were sold. For the year ended December 31, 2005, gross realized gains on such sales totaled $0.1 million and gross realized losses totaled $1.6 million. The net adjustment after tax to unrealized holding losses on available-for-sale securities included as a separate component of stockholders' equity totaled $1.2 million for 2005. The net adjustment after tax to unrealized gains on available-for-sale securities included as a separate component of stockholders' equity due to the sale of securities totaled $0.4 million for 2005.

During the year ended December 31, 2004, available-for-sale debt securities with a fair market value at the date of sale of $173.2 million were sold. For the year ended December 31, 2004, gross realized gains on such sales totaled $0.1 million and gross realized losses totaled $0.3 million. The net adjustment after tax to unrealized holding losses on available-for-sale securities included as a separate component of stockholders' equity totaled $1.0 million for 2004. The net adjustment after tax to unrealized losses on available-for-sale securities included as a separate component of stockholders' equity due to the sale of securities totaled $0.1 million for 2004.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Investment in the LSE

The following table summarizes the purchase of our 28.8% ownership investment in the LSE at December 31, 2006:

Date Purchased	Number of Shares	Purchase Price Per Share	Total Consideration (in millions)		Percentage Ownership
April 18, 2006	38,100,000	£ 11.75	£447.7	$ 784.8	14.9%
May 8, 2006	9,790,280	£ 12.18	119.2	220.7	18.7%
May 15, 2006	13,791,440	£ 12.48	172.1	321.4	24.1%
May 23, 2006	1,086,216	£ 12.38	13.5	25.4	24.6%
May 24, 2006	1,133,034	£ 12.33	14.0	26.3	25.1%
November 23, 2006	7,065,984	£ 12.43	87.8	166.8	28.4% (2)
Total	70,966,954(1)		£854.3	$1,545.4(3)	

(1) As a result of the LSE's capital return, we currently own 61,291,389 shares of the LSE. See below for further discussion.

(2) After taking into effect the LSE's share buybacks through 2006, our total percentage ownership at December 31, 2006 was approximately 28.8%.

(3) We incurred additional brokerage costs of approximately $10.0 million in connection with acquiring our current investment in the LSE. These costs were recorded as an addition to the cost basis in our investment.

On March 7, 2006, the LSE announced that shareholders of record on May 12, 2006 would receive a capital return of approximately GBP 510 million later in May 2006. Based on our share ownership, which included the shares that settled through May 15, 2006, this capital return equated to GBP 123.4 million, or $220.6 million, which was recorded as a reduction to the cost basis in our investment in the second quarter of 2006. As a result of the capital return, we currently own 61,291,389 shares of the LSE.

On May 26, 2006, we also received an ordinary dividend of approximately GBP 4.9 million, or $9.2 million, from the LSE. On November 8, 2006 the LSE declared an interim dividend of £0.06, or $0.11 per share. In order to hedge our foreign currency exposure on our fourth quarter dividend receivable from the LSE, we entered into a foreign currency forward contract. This contract was marked-to-market as the Company did not elect hedge accounting under SFAS 133. See Note 16, "Fair Value of Financial Instruments," for further discussion. The interim dividend was paid on January 5, 2007 to those shareholders of record on December 8, 2006. The dividend received totaled approximately GBP 3.7 million, or $7.0 million. Both dividends were recorded in dividend income in the Consolidated Statements of Income in 2006.

To finance the above purchases, we entered into credit facilities and utilized cash on hand of approximately $305.4 million. See Note 9, "Debt Obligations," for further discussion of the credit facilities. We have incurred additional direct acquisition costs of approximately $18.4 million in connection with acquiring our current investment in the LSE and our acquisition bid. These costs such as legal and advisory are included in other current assets in the Consolidated Balance Sheets at December 31, 2006.

In accordance with FIN 35 and APB 18, an investment (direct or indirect) of 20%, such as ours in the LSE, generally leads 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 are not able to exercise significant influence over the operational and financial policies of the LSE pursuant to paragraph 4d of FIN 35 as the equity method of accounting for our investment in the LSE would require 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 GAAP and prepare a full purchase price allocation as required under APB 18. At this point, this information is not available to us. Therefore, we have concluded that we do not exert significant influence over the LSE pursuant to APB 18. Thus we have accounted for our investment in the LSE in accordance with SFAS 115 and include our LSE shares in available-for-sale investments, at fair value in the Consolidated Balance Sheets. Unrealized gains and losses, including foreign currency gains/losses are included in accumulated other comprehensive income in the Consolidated Balance Sheets until the sale or redemption of the shares.

In November 2006, we announced the terms of final offers to acquire all of the ordinary share capital of LSE not already owned by NAL at a price of 1,243 pence per share and all of the B Share of LSE at a price of 200 pence (plus accrued dividend) per share. In order to hedge the foreign currency exposure on our acquisition bid for the LSE, we purchased foreign currency option contracts. See Note 16, "Fair Value of Financial Instruments," for further discussion. These final offers lapsed on February 10, 2007. See Item 1. "Business—Acquisition Strategy" and Item 1A. "Risk factors—Future acquisitions, partnerships and joint ventures may require significant resources and/or result in significant unanticipated losses, costs and liabilities" for further discussion.

8. Deferred Revenue

Our deferred revenue at December 31, 2006 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	$20,288	$ 33,951	$ 2,208	$ 56,447
2008	17,592	23,699	—	41,291
2009	14,261	12,875	—	27,136
2010	10,508	3,304	—	13,812
2011 and thereafter	8,405	—	—	8,405
	$71,054	$ 73,829	$ 2,208	$147,091

Our deferred revenue at December 31, 2006 and 2005 is reflected in the following tables. The additions primarily reflect Corporate Client Group revenues from listing fees charged during the year while the amortization primarily reflects Corporate Client Group revenues from listing fees recognized during the respective year in accordance with GAAP.

	Initial Listing Fees	Listing of Additional Shares	Annual and Other	Total
		(in thousands)		
Balance at January 1, 2006	$ 69,678	$ 74,766	$ 1,168	$ 145,612
Additions	24,595	35,982	130,316	190,893
Amortization	(23,219)	(36,919)	(129,276)	(189,414)
Balance at December 31, 2006	$ 71,054	$ 73,829	$ 2,208	$ 147,091
Balance at January 1, 2005	$ 74,300	$ 75,058	$ —	$ 149,358
Additions	24,570	37,411	116,807	178,788
Amortization	(29,192)	(37,703)	(115,639)	(182,534)
Balance at December 31, 2005	$ 69,678	$ 74,766	$ 1,168	$ 145,612

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

9. Debt Obligations

The following table presents the changes in our debt obligations during the year ended December 31, 2006:

	December 31, 2005	Additions	Payments and Accretion	December 31, 2006
		(in thousands)		
3.75% convertible notes due October 22, 2012 (net of premium and discount)	$ 442,428	$ —	$ 377	$ 442,805
$750.0 million senior term loan facility due December 8, 2011	750,000	—	(750,000)	—
$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 7.10% at December 31, 2006)	—	900,000	(173,550)	726,450
$434.8 million secured term loan credit agreement due April 18, 2012, formerly a six-year $1.1 billion secured term loan facility (average interest rate of 7.10% at December 31, 2006)	—	1,100,000	(765,627)	334,373
Total debt obligations	1,192,428	2,000,000	(1,688,800)	1,503,628
Less current portion	(7,500)	(3,181)	—	(10,681)
Total long-term debt obligations	$1,184,928	$1,996,819	$(1,688,800)	$1,492,947

3.75% Convertible Notes

In order to finance the INET transaction, we issued $205.0 million convertible notes to SLP ($141.4 million), H&F ($60.0 million), and other partners ($3.6 million) on April 22, 2005. The $205.0 million convertible notes which were issued at a discount of $4.5 million, carry a coupon of 3.75% and will be convertible into our common stock at a price of $14.50 per share or 14,137,931 shares subject to adjustment, in general, for any stock split, dividend, combination, recapitalization or similar event. The $205.0 million convertible notes are being amortized over 7.5 years to face value and we recorded accretion of $0.6 million in 2006 and $0.4 million in 2005, which was recorded as interest expense in the Consolidated Statements of Income. SLP also received 1,523,325 warrants and H&F received 650,000 warrants to purchase 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 cash received from the issuance of the $205.0 million convertible notes was held in a restricted cash account until the closing of the acquisition. We recorded interest expense of approximately $7.7 million in 2006 and $5.3 million in 2005 and paid interest of approximately $6.7 million in 2006 and $4.8 million in 2005.

In order to facilitate the INET transaction, H&F also restructured the terms of our original convertible $240.0 million subordinated notes, extending the maturity date from May 2006 to October 2012, lowering the interest coupon rate to 3.75% from 4.0% and lowering the conversion price to $14.50 from $20.00 or 16,551,724 shares, subject to adjustment, for stock splits, dividends, combinations, recapitalizations or similar events. H&F also received an additional 2,750,000 warrants to purchase 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. In accordance with EITF Issue 96-19, “Debtor’s Accounting for a Modification or Exchange of Debt Instruments,” a substantial modification of terms should be accounted for and reported in the same manner as an extinguishment of debt. We considered the modification of the terms of our original convertible $240.0 million subordinated notes to be substantial and therefore recorded a pre-tax charge

of $7.4 million related to the restructuring of the $240.0 million convertible notes, which is included in general, administrative and other expense in the Consolidated Statements of Income for the year ended December 31, 2005. We recorded interest expense on the $240.0 million convertible notes of approximately $9.0 million in 2006 and $6.2 million in 2005 and paid interest of approximately $9.0 million in 2006 and $4.5 million in 2005. Interest expense totaled $3.0 million and interest paid totaled $3.4 million on the $240.0 million subordinated notes for the year ended December 31, 2005. Interest expensed and paid on the $240 million subordinated notes for the year ended December 31, 2004 totaled $9.6 million.

On an as-converted basis at December 31, 2006, H&F owned an approximate 18.0% 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, 5,000 vested stock options and 500,000 shares of common stock purchased from us in a separate transaction. On an as-converted basis at December 31, 2006, SLP owned an approximate 9.1% 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.

Both the $205.0 million convertible notes and $240.0 million convertible notes are senior unsecured obligations of the Exchange and rank pari passu in right of payment with all existing and any future senior unsecured indebtedness of us, are senior in right of payment to any future subordinated indebtedness of us and are junior in right of payment to any senior secured indebtedness. See, "Obligations Under Guarantee," of Note 19, "Commitments, Contingencies and Guarantee," for further discussion. The indenture governing the notes limits our ability to incur senior secured indebtedness in excess of the $825.0 million senior credit agreement and any future senior secured indebtedness provided that at the time of incurrence, we maintain a ratio of aggregate senior secured indebtedness to EBITDA (as defined in the indenture) for the most recent four consecutive quarters of not greater than 4.0 to 1.0.

Debt Issuance Costs

In conjunction with the issuance of the $205.0 million convertible notes and restructuring of the $240.0 million convertible notes, we incurred debt issuance costs of $2.6 million. These costs, which are capitalized and included in other assets in the Consolidated Balance Sheets, are being amortized over the life of each debt obligation. Amortization expense which was recorded as additional interest expense for these costs was immaterial for both 2006 and 2005.

$825 Million Senior Secured Financing

In connection with the INET transaction, we also entered into a credit agreement dated as of December 8, 2005. The credit agreement which provided for credit up to $825.0 million of senior secured financing included:

(1) a six-year $750.0 million senior term loan facility with a letter of credit subfacility and swingline loan subfacility; and

(2) a five-year $75.0 million revolving credit facility.

On December 8, 2005, we drew the full $750.0 million senior term loan facility but did not draw any funds under the revolving credit facility. The interest rate on the $750.0 million senior term loan facility was LIBOR plus 150 basis points and as of December 31, 2005 the average interest rate was 6.14%. Interest expense totaled approximately $3.1 million and interest paid totaled $0.8 million in 2005. On April 18, 2006, we repaid in full the $750.0 million senior term loan facility. The average interest rate during 2006 on the $750.0 million senior term loan facility was 6.29%. Interest expense totaled approximately $13.9 million and interest paid totaled $16.2 million in 2006.

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Debt Issuance Costs

We incurred debt issuance costs of $12.4 million in connection with the $825.0 million senior secured financing. These costs were capitalized and were included in other assets in the Consolidated Balance Sheets and were being amortized over the life of the debt obligation. Amortization expense which was recorded as additional interest expense for these costs was immaterial for both 2006 and 2005.

As noted above, on April 18, 2006 we repaid in full the $750.0 million senior term loan facility and entered into new credit agreements. For further discussion, see "April 2006 Credit Facility" below. As a result of the early repayment, we recorded a loss of $12.3 million which was included in general, administrative and other expense in the Consolidated Statements of Income in 2006. This amount was initially capitalized as debt issuance costs as discussed above.

April 2006 Credit Facility

On April 11, 2006, in order to finance the purchase of our investment in the LSE, we entered into new credit agreements, or the April 2006 Credit Facility. The April 2006 Credit Facility replaced our former credit agreement dated December 8, 2005 which was obtained in connection with the financing of the INET acquisition.

The April 2006 Credit Facility provided for credit up to $1.9 billion of secured financing and included:

(1) a six-year $750.0 million senior term loan facility with a letter of credit subfacility and swingline loan subfacility;

(2) a five-year un-drawn $75.0 million revolving credit facility; and

(3) a six-year $1.1 billion secured term loan facility.

2006 Activity under the April 2006 Credit Facility

On April 18, 2006, we drew the full $750.0 million senior term loan facility and the $1.1 billion secured term loan facility. On May 2, 2006, we completed a public offering of 18,500,000 shares of our common stock, for net proceeds of $665.2 million before deducting offering expenses. These proceeds were used to prepay a portion of the $1.1 billion secured term loan facility. In connection with this prepayment we recorded a loss of $8.6 million on the early extinguishment of debt, which was included in general, administrative and other expense in the Consolidated Statements of Income in 2006. This amount was initially capitalized as debt issuance costs as discussed below.

Amounts Outstanding under the April 2006 Credit Facility

Under the terms of the April 2006 Credit Facility, excluding the un-drawn $75.0 million revolving credit facility, any amounts prepaid constitute permanent reductions in availability. Therefore, after the above activity, debt outstanding totaled:

(1) $750.0 million senior term loan facility; and

(2) $434.8 million from the $1.1 billion secured term loan facility.

Debt Issuance Costs

We incurred debt issuance costs of $17.5 million in connection with the April 2006 Credit Facility. These costs, which are capitalized and included in other assets in the Consolidated Balance Sheets, are being amortized

over the life of the facility. As noted above, we recorded a loss of $8.6 million on the early extinguishment of debt. Therefore debt issuance costs remaining on the April 2006 Credit Facility after the loss on early extinguishment of debt was $8.9 million.

May 2006 Credit Facility

The April 2006 Credit Facility was amended and restated into two new credit facilities, or the Credit Facilities, on May 19, 2006. See "Credit Facilities," below for further discussion.

Credit Facilities

The Credit Facilities currently provide for credit up to $1.3 billion of secured financing and include:

(1) $825.0 million senior credit agreement, which includes:

- a six-year $750.0 million senior term loan facility, or $750.0 million senior term loan facility with a letter of credit subfacility and swingline loan subfacility; and
- a five-year un-drawn $75.0 million revolving credit facility.

(2) $434.8 million six-year secured term loan credit agreement, or $434.8 million term loan credit agreement.

2006 Activity under the Credit Facilities

In July 2006, we completed the sale of our building and related assets located in Trumbull, Connecticut. In accordance with the terms of the Credit Facilities, we prepaid approximately $9.7 million of the $750 million senior term loan facility and approximately $5.7 million of the $434.8 million secured term loan credit agreement with a portion of the net proceeds from the sale. We used the remaining proceeds for general corporate purposes. See "Real Estate Consolidation," of Note 5, "Cost Reduction Program, INET Integration and Strategic Review," for further discussion.

In November 2006, we made an early partial prepayment of approximately $158.3 million on the $750 million senior term loan facility and approximately $91.7 million on the $434.8 million secured term loan credit agreement with available cash resources. In connection with these prepayments we recorded a loss of $1.1 million for the pro-rata amortization of debt issuance costs on the early extinguishment of a portion of debt, which was included in general, administrative and other expense in the Consolidated Statements of Income in 2006. This amount was initially capitalized as debt issuance costs as discussed above. Also in November 2006, we borrowed an additional $150.0 million from the $750 million senior term loan swingline loan subfacility for an additional purchase of LSE common stock. See Note 7, "Investments," for further discussion.

The average interest rate during 2006 on the April 2006 Credit Facility and the Credit Facilities was 7.10%. Interest expense totaled approximately $58.0 million and interest paid totaled $54.9 million in 2006.

Nasdaq paid a commitment fee of 0.50% per annum on the average daily unused portion of the revolving credit facility which was approximately $0.3 million for 2006.

Debt Issuance Costs

As discussed above, we incurred debt issuance costs of $17.5 million in connection with the April 2006 Credit Facility. After the repayments in May and November 2006, which resulted in an acceleration of debt

issuance costs of $9.7 million and amortization expense of $1.1 million in 2006, the unamortized balance of debt issuance costs was $6.7 million at December 31, 2006. These costs are included in other assets in the Consolidated Balance Sheets as of December 31, 2006.

General Terms of the Credit Facilities

Any amounts prepaid under the Credit Facilities, excluding the un-drawn $75.0 million revolving credit facility, constitute permanent reductions in availability.

The interest rate on loans made under the Credit Facilities, excluding the un-drawn $75.0 million revolving credit facility, is expected to be either:

(1) a margin of 75 basis points (decreasing to a margin of 50 basis points on the earlier of either the outstanding amounts under the Credit Facilities is less than or equal to $750.0 million, or when the Credit Facilities receive a rating of Ba2 (stable outlook or better) or higher by Moody's Investors Service, Inc. and a rating of BBB- (stable outlook or better) or higher by Standards & Poor's Ratings Group, Inc.) plus a rate per annum equal to the greater of:

   (a) the rate announced from time to time by Bank of America, N.A. as its "prime rate" and

   (b) the federal funds effective rate plus 1/2 of 1%, or

(2) a margin of 175 basis points (decreasing to a margin of 150 basis points on the earlier of either the outstanding amounts under the Credit Facilities is less than or equal to $750.0 million, or when the Credit Facilities receive a rating of Ba2 (stable outlook or better) or higher by Moody's and a rating of BBB- (stable outlook or better) or higher by Standards & Poor's) plus the "LIBO Rate" set by the British Banker's Association at 11:00 a.m. two days prior, in each case.

Nasdaq has also agreed to pay customary fees and expenses related to the Credit Facilities and to provide customary indemnities.

Our obligations under the Credit Facilities are secured by a security interest in and liens upon substantially all of our assets and subsidiaries. All of our domestic subsidiaries are guarantors of our obligations under the Credit Facilities, excluding the regulated broker-dealer subsidiaries, the insurance-related subsidiaries and the TRF.

The Credit Facilities contain customary negative covenants which will affect our subsidiaries and us, including the following:

- limitations on the payment of dividends and redemptions of our capital stock;
- limitations on loans, guarantees, investments, incurrence of debt and hedging arrangements;
- limitations on issuance and amendment of preferred stock and amendment of subordinated debt agreements;
- prohibition of prepayments, redemptions and repurchases of debt other than debt under the Credit Facilities;
- limitations on liens and sale-leaseback transactions;
- limitations on mergers, recapitalizations, acquisitions and asset sales;
- limitations on transactions with affiliates;

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- limitations on restrictions on liens and other restrictive agreements; and
- limitations on changes in our business.

In addition, the Credit Facilities contain financial covenants, specifically, a maintenance of minimum interest expense coverage ratio and maximum leverage ratio, as defined in the Credit Facilities and pursuant to the following schedules:

Interest Expense Coverage Ratio

Period	Ratio
April 18, 2006 to September 30, 2006	2.00 to 1.00
October 1, 2006 to March 31, 2007	2.25 to 1.00
April 1, 2007 to March 31, 2008	2.50 to 1.00
April 1, 2008 to March 31, 2009	3.00 to 1.00
April 1, 2009 to September 30, 2009	3.50 to 1.00
Thereafter	4.00 to 1.00

Leverage Ratio

Period	Ratio
April 18, 2006 to June 30, 2006	5.75 to 1.00
July 1, 2006 to September 30, 2006	5.50 to 1.00
October 1, 2006 to December 31, 2006	5.00 to 1.00
January 1, 2007 to March 31, 2007	4.25 to 1.00
April 1, 2007 to June 30, 2007	4.00 to 1.00
July 1, 2007 to September 30, 2007	3.75 to 1.00
October 1, 2007 to December 31, 2007	3.50 to 1.00
January 1, 2008 to March 31, 2008	3.25 to 1.00
April 1, 2008 to December 31, 2008	3.00 to 1.00
January 1, 2009 to September 30, 2009	2.75 to 1.00
Thereafter	2.50 to 1.00

The $434.8 million secured term loan credit agreement is excluded from the calculation of the Leverage Ratio until October 2007. The Credit Facilities also contain customary affirmative covenants, including interest rate protection, access to financial statements, notice of trigger events and defaults, maintenance of business and insurance, and events of default, as well as cross-defaults on material indebtedness.

We are required to make quarterly principal amortization payments on the Credit Facilities. In 2006, we paid approximately $5.6 million of the $750 million senior term loan facility and approximately $3.0 million of the $434.8 million term loan credit agreement. We are permitted to prepay borrowings under the Credit Facilities at any time in whole or in part, subject to our remaining in compliance with the covenants discussed above and our obligation to pay additional fees in certain circumstances. We are 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 defined in the Credit Facilities. Beginning in 2007, we also are 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 are required to use for prepayments varies 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%.

At December 31, 2006, we were in compliance with the covenants of all of our debt obligations.

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New Credit Facility

As previously discussed, on November 20, 2006 NAL, a subsidiary of Nasdaq announced the terms of offers to acquire:

- all of the outstanding ordinary shares of LSE for £12.43 per share (other than shares already owned by Nasdaq); and
- all of the outstanding B shares of LSE for £2.00 per share (plus an amount equal to accrued dividends).

The total cost consideration payable under the offers will amount to approximately £2.0 billion, or $3.8 billion (which includes the amounts paid for the Share Purchase (discussed below)).

Debt Financing

To finance the offers, Nasdaq entered into the following credit agreements, collectively, the New Credit Facility, each of which credit agreements became effective on November 20, 2006. The initial funding under the New Credit Facility is subject to conditions customary in the United Kingdom for transactions of this type and will not occur until the offers have been declared unconditional in all respects:

- Credit Agreement, dated as of November 20, 2006, 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, as Sole Lead Arranger, Banc of America Securities LLC and Dresdner Kleinwort Securities LLC, as Joint Bookrunning Managers, and Dresdner Bank AG New York and Grand Cayman Branches, as Syndication Agent
- Term Loan Credit Agreement, dated as of November 20, 2006, among Nasdaq, as Borrower, NAL, as Additional 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 and Collateral Agent, Banc of America Securities LLC, as Sole Lead Arranger, Banc of America Securities LLC and Dresdner Kleinwort Securities LLC, as Joint Bookrunning Managers, and Dresdner Bank AG New York and Grand Cayman Branches, as Syndication Agent
- Bridge Loan Agreement, dated as of November 20, 2006, among Nasdaq, as Borrower, NAL, as Additional Borrower, the financial institutions that are or may from time to time become parties thereto as Lenders, Banc of America Bridge LLC, as Administrative Agent, Banc of America Securities LLC, as Sole Lead Arranger, Banc of America Securities LLC and Dresdner Kleinwort Securities LLC, as Joint Bookrunning Managers, and Dresdner Bank AG New York and Grand Cayman Branches, as Syndication Agent

The New Credit Facility provides for credit of up to approximately $5.1 billion of debt financing to be used for payment in respect of the acquisition of the issued LSE ordinary shares (and shares issuable pursuant to options convertible into ordinary shares) and the issued LSE B shares, transaction costs, working capital, and repayment of Nasdaq borrowings under its existing credit facilities as well as existing bonds of LSE to the extent that the holders of such bonds require the bonds to be redeemed. The New Credit Facility includes (1) a six-year $75.0 million secured revolving credit facility, with a letter of credit subfacility and swingline loan subfacility under the Credit Agreement; (2) a seven-year $750.0 million secured term loan facility under the Credit Agreement; (3) a seven-year $2.5 billion secured term loan facility structured as a delayed-draw term loan under the Term Loan Credit Agreement; and (4) a $1.75 billion unsecured bridge loan under the Bridge Loan Agreement. The interest rate on loans made under New Credit Facility is expected to be (1) in the case of revolving loans, the Credit Agreement term loans and the Term Loan Credit Agreement term loans, (a) the higher

of (i) the federal funds effective rate plus 1/2 of 1% or (ii) the "prime rate" of Bank of America, N.A., plus 1.25% or (b) the "LIBO Rate" used by Bank of America, N.A. plus 2.25% and (2) in the case of the Bridge Loan Agreement, (a) the higher of (i) the federal funds effective rate plus 1/2 of 1% or (ii) the "prime rate" of Bank of America, N.A., plus 3.00% or (b) the "LIBO Rate" used by Bank of America, N.A. plus 4.00%, provided that if the loans under the Bridge Loan Agreement are not repaid in full within 120 days after they are funded, the applicable rate shall increase by 1.00% per annum as of such 120th date for the subsequent 90-day period and shall increase by an additional 0.50% per annum at the beginning of each subsequent 90-day period thereafter.

When initially funded, (i) the Credit Agreement will refinance in full Nasdaq's existing credit agreement, dated as of April 11, 2006 and amended and restated as of May 19, 2006, 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, Swingline Lender and Issuing Bank, and Banc of America Securities LLC, as Sole Lead Arranger and Sole Book Manager (including amounts borrowed under the incremental facility amendment described below) and (ii) the Term Loan Credit Agreement will refinance in full Nasdaq's existing term loan credit agreement, dated as of April 11, 2006 and amended and restated as of May 19, 2006, among Nasdaq, as Borrower, NAL, as Additional Borrower, the financial institutions that are or may from time to time become parties thereto as Lenders, Banc of America Bridge LLC, as Administrative Agent, and Banc of America Securities LLC, as Sole Lead Arranger and Sole Book Manager.

Nasdaq's obligations under the Credit Agreement and the Term Loan Credit Agreement will be secured by a security interest in and liens upon substantially all of the assets of Nasdaq and its subsidiaries, excluding non-U.S. domestic subsidiaries, the regulated broker-dealer subsidiaries, the insurance-related subsidiaries, The Trade Reporting Facility LLC, Independent Research Network, LLC, and The Nasdaq Stock Market Educational Foundation, Inc. The shares of each of Nasdaq's subsidiaries, other than The Trade Reporting Facility LLC, Independent Research Network, LLC, The Nasdaq Stock Market Educational Foundation, Inc., The NASDAQ Stock Market LLC and Nasdaq Insurance Agency, LLC, will be pledged, provided that no more than 65% of the voting shares of any non-U.S. entity shall be pledged, and the shares of entities which are not directly owned by Nasdaq or any of its subsidiary guarantors shall not be pledged. NAL will pledge up to 65% of the voting shares of LSE in support of the obligations under the Credit Agreement and the Term Loan Credit Agreement. All of Nasdaq's U.S. domestic subsidiaries will be guarantors of its obligations under the New Credit Facility, excluding the regulated broker-dealer subsidiaries, the insurance-related subsidiaries, The Trade Reporting Facility LLC, Independent Research Network, LLC, and The Nasdaq Stock Market Educational Foundation, Inc., and such guarantees in support of the Bridge Loan Agreement shall be subordinated and unsecured.

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

- in case of the Credit Agreement and the Term Loan Credit Agreement, maintenance of minimum interest expense coverage ratio and maximum leverage ratio;
- limitations on the payment of dividends and redemptions of Nasdaq's capital stock;
- limitations on loans, guarantees, investments, incurrence of debt and hedging arrangements;
- limitations on issuance and amendment of preferred stock and amendment of subordinated debt agreements;
- limitations on prepayments, redemptions and repurchases of debt other than debt under the credit facility;
- 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 changes in our business.

The New Credit Facility also contains customary affirmative covenants, including access to financial statements, notice of trigger events and defaults, maintenance of business and insurance, and customary events of default, including cross-defaults to material indebtedness. The New Credit Facility has been negotiated based on an offer price of £12.43 per LSE ordinary share.

Nasdaq is 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 fiscal year 2007, Nasdaq also is 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. The percentage of excess cash flow Nasdaq is required to use for repayments varies 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 Bridge Loan Agreement, together with the other agreements in the New Credit Facility and the Equity Financing described below, provides Nasdaq with the certainty of funds necessary to effect the offers. Borrowings under the Bridge Loan Agreement initially mature in one year. Nasdaq intends to replace or refinance the Bridge Loan Agreement with longer term financing such as an offering of senior unsecured notes after the acquisition is completed but no determination has been made as to a senior notes offering or the terms thereof. In the event that a replacement or refinancing is delayed, the Bridge Loan Agreement contains a mechanism by which the outstanding loans thereunder may "roll over" into a longer maturity.

Equity Financing

In addition to the New Credit Facility and in connection with the financing of the offers, Nasdaq has entered into a Purchase Agreement, by and among Nasdaq, as issuer, and Banc of America Bridge, LLC and Dresdner Kleinwort Securities LLC, as purchasers. The Purchase Agreement provides for the issue and sale to the purchasers of up to 775,000 shares of Nasdaq's senior perpetual preferred stock, par value $0.01 per share at a purchase price of $1,000 per share. The Purchase Agreement became effective on November 20, 2006. The sale of the preferred stock is exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

The purchasers' several obligations to purchase shares of preferred stock is subject to conditions customary in the United Kingdom for transactions of this type and will not occur until the offers have been declared unconditional in all respects.

In connection with the Purchase Agreement, Nasdaq has made customary representations and warranties and has agreed to customary covenants. In addition, Nasdaq has agreed to register the preferred stock on or prior to the eight-month anniversary of the purchase date.

The material terms of the preferred stock are:

- Each share of preferred stock shall have an initial liquidation preference of $1,000.00;
- With respect to distributions regarding dividends and upon liquidation, winding up or dissolution of Nasdaq, the preferred stock shall rank senior to all classes of Nasdaq's common stock and each other class of capital stock or preferred stock of Nasdaq the terms of which do not expressly provide otherwise;

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- Cash is payable with respect to dividends only upon redemption or liquidation;
- Dividends accrete at the LIBOR Rate plus 7.00% for the period from the issue date up to but excluding the 90th day following the issue, plus an additional 0.50% per each 90-day period thereafter, up to a maximum of 14.00% per annum;
- Upon liquidation, dissolution or winding-up of Nasdaq, and subject to the above-referenced ranking, each holder of outstanding preferred stock shall be entitled to be paid the above-referenced liquidation preference with respect to each share of preferred stock plus any accumulated and unpaid dividends thereon;
- The preferred stock may be redeemed at the option of Nasdaq, in whole at any time or in part from time to time on or after the issue date (i) for a price equal to 100% of the liquidation preference plus any accumulated and unpaid dividends during the period from the issue date to the one year anniversary of the issue date and (ii) for each of the first four one-year periods subsequent to the one year anniversary of the issue date, at a price equal to 100% of the liquidation preference plus 1% for each such one-year period and plus any accumulated and unpaid dividends and thereafter, at a price equal to 104% of the liquidation preference plus any accumulated and unpaid dividends;
- Holders of the preferred stock shall not generally have any voting rights with respect to the preferred stock, however approval by 66 $^{2}/_{3}$ % of the holders of the then-outstanding preferred stock is required in certain circumstances, including (i) the future issuance of any Nasdaq securities on par or senior to the preferred stock and (ii) any action that would materially adversely alter or change the preferences, rights, privileges or powers of, or the restrictions provided for the benefit of, the preferred stock;
- Upon a change in control of Nasdaq, holders of outstanding preferred stock shall be entitled to tender such shares for repurchase by Nasdaq at a purchase price per share equal to, if such change of control occurs during the first year in which the preferred stock are outstanding, 100% of the then applicable liquidation preference, and if thereafter, 101% of the then applicable liquidation preference, in each case plus any accumulated and unpaid dividends; and
- The preferred stock is neither convertible nor exchangeable and may be redesignated and reissued if reacquired by Nasdaq.

Although the final offers have lapsed, the New Credit Facility does not expressly terminate. However, we cannot draw upon the Bridge Loan Agreement after May 20, 2007.

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10. Income Taxes

The income tax provision consists of the following amounts:

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Current income taxes:			
Federal	$61,789	$39,502	$(24,741)
State	9,526	577	208
Foreign	533	554	3,908
Total current income taxes	71,848	40,633	(20,625)
Deferred income taxes:			
Federal	9,264	(2,059)	22,506
State	4,140	5,998	68
Foreign	—	—	(1,200)
Total deferred income taxes	13,404	3,939	21,374
Total income tax provision	$85,252	$44,572	$ 749

A reconciliation of the income tax provision, based on the U.S. federal statutory rate, to our actual income tax provision for the years ended December 31, 2006, 2005 and 2004 is as follows:

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Federal income tax provision at the statutory rate	$74,601	$37,192	$ 894
State income tax provision, net of federal effect	8,883	4,274	179
Nondeductible expenses	1,382	2,560	926
Foreign taxes	323	178	872
Change in valuation allowance	(191)	720	(1,051)
Tax preferred investments	(183)	(1,195)	(601)
Prior year tax payable	131	417	(496)
Other, net	306	426	26
Actual income tax provision	$85,252	$44,572	$ 749

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Notes to Consolidated Financial Statements—(Continued)

The temporary differences, which give rise to our deferred tax assets and (liabilities) consisted of the following:

	December 31, 2006	December 31, 2005
	(in thousands)	
Deferred tax assets:		
Deferred revenues	$ 36,098	$ 35,232
Acquired net operating loss [1]	29,201	74,690
Foreign net operating loss	1,296	1,244
State net operating loss	463	1,395
Compensation and benefits	24,255	12,806
Lease reserves	8,455	8,634
Acquired capital loss carryforward [1]	32,965	—
Capital loss carryforward	7,365	7,584
Strategic review charges	—	2,484
Provision for bad debts	5,537	6,144
Other	3,348	1,225
Gross deferred tax assets	148,983	151,438
Deferred tax liabilities:		
Depreciation	(3,963)	(6,811)
Amortization of software development costs	(10,338)	(18,542)
Amortization of acquired intangible assets	(68,626)	(69,664)
Investment in LSE and other investments	(127,471)	—
Other	(386)	(2,242)
Gross deferred tax liabilities	(210,784)	(97,259)
Net deferred tax (liabilities) assets before valuation allowance	(61,801)	54,179
Less: valuation allowance [1]	(40,899)	(8,149)
Net deferred tax (liabilities) assets	$(102,700)	$ 46,030

[1] We recorded a non-current deferred tax asset of $62.2 million on the 2005 sale of Instinet's Institutional Brokerage division related to acquired operating and capital loss carryforwards. Included in this amount is a deferred tax asset for a capital loss carryforward of $33.0 million. We believe that it is more likely than not that we will not realize a benefit on this asset, therefore, we established a valuation allowance of $33.0 million. This valuation allowance affects goodwill and other balance sheet accounts. We and SLP have an agreement to share the deferred tax benefit on the sale of the Institutional Brokerage division. To the extent the $29.2 million net deferred tax benefit is realized approximately $27.9 million will be paid to SLP. We have recorded a liability for the estimated SLP share of the tax benefits in other liabilities in the Consolidated Balance Sheets at present value of the expected payments. If we are able to realize tax benefits related to the capital loss carryforwards noted above, we may be required to pay SLP an additional amount.

Of the $31.0 million net operating losses, federal losses of $29.2 million will expire in 2025, state losses of $0.5 million will expire through 2025, foreign losses of $0.4 million will expire 2007 through 2012 and foreign losses of $0.9 million have no expiration date. Of the $40.3 million of capital loss carryforwards, $0.6 million will expire in 2008, $6.2 million will expire in 2009 and $33.5 million will expire in 2010.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

The change in the valuation allowance from December 31, 2005 to December 31, 2006 is as follows:

	(in thousands)
Balance at December 31, 2005	$ (8,149)
Foreign net operating loss carryforward	(5)
Utilization of capital loss carryforward	220
Acquired capital loss carryforward	(32,965) [1]
Balance at December 31, 2006	$ (40,899)

[1] This valuation allowance affects goodwill and other balance sheet accounts.

Not included in the deferred tax assets for the year ended December 31, 2006 is a capital loss carryforward of $15.8 million generated through discontinued operations. The carryforward will expire in 2008. We believe that it is more likely than not that we will not realize a benefit on this asset, therefore, we established a valuation allowance of $15.8 million.

The following represents the domestic and foreign components of income before income tax provision:

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Domestic	$213,256	$104,556	$(1,122)
Foreign	(111)	1,706	3,675
Income before income tax provision	$213,145	$106,262	$ 2,553

In 2006, 2005 and 2004 we recorded income tax benefits (provision) of $24.8 million, $21.5 million and $(0.2) million, respectively, primarily related to employee stock option exercises. These amounts were recorded to additional paid-in-capital in the Consolidated Balance Sheets.

We are subject to examination by federal, state and local, and foreign tax authorities. We regularly assess the likelihood of additional assessments by each jurisdiction and have established tax reserves that we believe are adequate in relation to the potential for additional assessments. During 2006 we settled a New York City audit with additional tax and interest assessed of $1.3 million. This amount had been previously reserved and had no impact on 2006 net income. We believe that the resolution of tax matters will not have a material effect on the Company's financial condition but may be material to the Company's operating results for a particular period and upon the effective tax rate for that period.

In June 2006, the FASB issued a new interpretation of accounting for uncertainty in income taxes. For further discussion, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Future Accounting Requirements.

11. Employee Benefits

Prior to January 1, 2006, we were a participating employer in a non-contributory, defined-benefit pension plan that NASD sponsors for the benefit of its eligible employees and the eligible employees of its subsidiaries. As of January 1, 2004, the benefits are primarily based on years of service and the employees' career-average salary during employment, subject to a phase-in period. Before 2004, the benefits were primarily based on years of service and the employees' average salary during the highest 60 consecutive months of employment.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

As part of our separation from NASD, effective January 1, 2006, we adopted our own non-contributory, defined-benefit pension plan and transferred our participants in NASD's pension plan to our pension plan. The adoption of our own plan did not have an impact on our consolidated financial position or results of operations. As of July 1, 2006, our pension plan was frozen to new employees hired after June 30, 2006. There were no other changes to our pension plan.

Until November 1, 2003, we participated in a Supplemental Executive Retirement Plan, or the SERP, that was maintained by NASD for certain senior executives. On November 1, 2003, we formed our own SERP and transferred all amounts to this new plan. Also during 2003, we changed the assumed retirement age from age 65 to the later of age 55 or 10 years of service, except in the case of an executive who has a contract with a SERP provision, then benefits are measured in accordance with the contract terms. The SERP is an unfunded plan.

We also provide medical benefits to retirees and their eligible dependents, as well as life insurance to retirees, who meet eligibility requirements through our post-retirement benefit plans. For employees who retired prior to January 1, 2004 and who have continuously participated in our voluntary medical plan since their retirement date, medical benefits are subsidized by us. For employees who retired subsequent to January 1, 2004, medical benefits were subsidized by us for plan years 2004, 2005 and 2006 however, we have transitioned the full cost of coverage over to the retiree, so that effective January 1, 2007, the retiree pays the full cost of coverage. Subsidized medical benefits are not available to retirees upon reaching age 65. We currently pay the premium for the life insurance benefit.

On December 31, 2006, we adopted the recognition and disclosure provisions of SFAS 158. SFAS 158 requires us to recognize the funded status measured as the difference between the fair value of plan assets and the projected benefit obligations of our employee benefit plans in our December 31, 2006 Consolidated Balance Sheet, with a corresponding adjustment to accumulated other comprehensive income, net of tax. The adjustment to accumulated other comprehensive income at adoption represents the unrecognized net actuarial losses, unrecognized prior service cost and unrecognized transition asset remaining from the initial adoption of SFAS No. 87, "Employers' Accounting for Pensions," or SFAS 87, all of which were previously netted against the plan's funded status in our Consolidated Balance Sheet pursuant to the provisions of SFAS 87. These amounts will be subsequently recognized as net periodic employee benefit cost pursuant to our historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic employee benefit cost in the same periods will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as a component of net periodic benefit cost on the same basis as the amounts recognized in accumulated other comprehensive income at adoption of SFAS 158. We use a measurement date of December 31 for our pension, SERP and post-retirement plans.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

The incremental effects of adopting the provisions of SFAS 158 on our Consolidated Balance Sheet at December 31, 2006 are presented in the following table. The adoption of SFAS 158 had no effect on our Consolidated Statement of Income for the year ended December 31, 2006, or for any prior period presented, and it will not affect our operating results in future periods. Had we not been required to adopt SFAS 158 at December 31, 2006, we would have recognized an additional minimum liability pursuant to the provisions of SFAS 87 for our pension plan and SERP. The effect of recognizing the additional minimum liability is included in table below in the column labeled "Before Application of SFAS 158."

	Incremental Effect of Applying SFAS 158 on Individual Line Items in the Consolidated Balance Sheet at December 31, 2006		
Line item	Before Application of SFAS 158	Effect of Adopting SFAS 158	After Application of SFAS 158
		(in thousands)	
Deferred tax assets	$ 10,842	$ 256	$ 11,098
Total current assets	2,312,290	256	2,312,546
Non-current deferred tax assets	91,883	5,103	96,986
Total assets	3,711,093	5,359	3,716,452
Accrued personnel costs	54,910	655	55,565
Total current liabilities	459,852	683	460,535
Other liabilities	86,078	13,006	99,084
Total liabilities	2,245,340	13,661	2,259,001
Accumulated other comprehensive income	144,506	(8,302)	136,204
Total stockholders' equity	1,465,657	(8,302)	1,457,355
Total liabilities, minority interest and stockholders' equity	3,711,093	5,359	3,716,452

Included in accumulated other comprehensive income at December 31, 2006 are the following amounts that have not yet been recognized in net periodic pension cost: unrecognized net actuarial loss of $26.8 million ($16.3 million net of tax) and unrecognized prior service cost of $(6.7) million ($4.1 million net of tax). The unrecognized net actuarial loss and unrecognized prior service cost included in accumulated other comprehensive income and expected to be recognized in net periodic pension cost during the fiscal year ending December 31, 2007 is $1.3 million ($0.8 million net of tax) and $(0.6) million ($0.4 million net of tax), respectively.

Components of Net Periodic Benefit Cost

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 Consolidated Statements of Income:

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Components of net periodic benefit cost			
Service cost	$ 6,777	$ 6,294	$ 6,467
Interest cost	3,998	4,057	4,361
Expected return on plan assets	(2,831)	(2,655)	(2,974)
Amortization of unrecognized transition asset	(46)	(57)	(58)
Recognized net actuarial loss	1,269	1,655	902
Prior service cost recognized	(510)	(270)	(319)
Settlement loss recognized	443	—	207
Benefit cost	$ 9,100	$ 9,024	$ 8,586

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

During 2006 and 2004 there were settlement losses of $0.4 million and $0.2 million, respectively, due to early retirements for employees included within the SERP. There were no settlement losses in 2005.

Benefit Obligations and Funded Status

The following table provides a reconciliation of the changes in the benefit obligations, the plan assets and the funded status of our pension, SERP and post-retirement plans:

	2006				2005			
	Pension	SERP	Post-retirement	Total	Pension	SERP	Post-retirement	Total
	(in thousands)							
Change in benefit obligation								
Benefit obligation at beginning of year	$ 55,502	$ 19,512	$ 725	$ 75,739	$ 57,366	$ 16,135	$ 661	$ 74,162
Service cost	4,891	1,868	18	6,777	4,555	1,739	18	6,312
Interest cost	3,217	744	37	3,998	3,093	965	37	4,095
Actuarial losses (gains)	9,943	(557)	(8)	9,378	(2,802)	1,253	18	(1,531)
Benefits paid	(13,038)	(7,175)	(99)	(20,312)	(7,924)	(580)	1	(8,503)
Plan amendments	228	—	—	228	—	—	—	—
Loss to due change in mortality rate	—	—	—	—	1,214	—	(10)	1,204
Benefit obligation at end of year	60,743	14,392	673	75,808	55,502	19,512	725	75,739
Change in plan assets								
Fair value of plan assets at beginning of year	32,825	—	—	32,825	32,284	—	—	32,284
Separation from NASD	359	—	—	359	—	—	—	—
Actual return on plan assets	6,427	—	—	6,427	(471)	—	—	(471)
Company contributions	5,952	7,175	99	13,226	8,936	580	1	9,517
Employee contributions	—	—	217	217	—	—	306	306
Benefits paid	(13,038)	(7,175)	(316)	(20,529)	(7,924)	(580)	(307)	(8,811)
Fair value of plan assets at end of year	32,525	—	—	32,525	32,825	—	—	32,825
Under funded status of the plan	(28,218)	(14,392)	(673)	(43,283)	(22,677)	(19,512)	(725)	(42,914)
Accumulated benefit obligation	$ 47,261	$ 14,392	$ 673	$ 62,328	$ 42,817	$ 19,283	$ 725	$ 62,825

The total under funded status of the pension, SERP and post-retirement plans of $43.3 million at December 31, 2006 is included in other liabilities and accrued personnel costs in the Consolidated Balance Sheet. No plan assets are expected to be returned to us during the year ending December 31, 2007.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Actuarial Assumptions

The following tables provide the weighted-average actuarial assumptions:

Weighted-average assumptions used to determine benefit obligations:

	2006	2005
Discount rate:		
Pension	5.75%	5.75%
SERP	5.75%	5.75%
Post-retirement	5.75%	5.75%
Rate of compensation increase:		
Pension	4.50%	4.50%
SERP	4.00%	4.00%
Post-retirement	N/A	N/A

Weighted-average assumptions used to determine net benefit cost:

	2006	2005	2004
Discount rate:			
Pension	5.75%	5.75%	6.25%
SERP	5.75%	5.75%	6.25%
Post-retirement	5.75%	5.75%	6.25%
Rate of compensation increase:			
Pension	4.50%	4.50%	5.50%
SERP	4.00%	4.00%	4.00%
Post-retirement	N/A	N/A	N/A
Expected return on plan assets:			
Pension	8.50%	8.50%	8.75%
SERP	N/A	N/A	N/A
Post-retirement	N/A	N/A	N/A

N/A—Not applicable

The assumptions above are used to develop the benefit obligations at fiscal year-end and to develop the net periodic benefit cost for the subsequent fiscal year. Therefore, the assumptions used to determine benefit obligations were established at each year-end while the assumptions used to determine net periodic benefit cost for each year are established at the end of each previous year.

The net periodic benefit obligations and the net periodic benefit cost are based on actuarial assumptions that are reviewed on an annual basis. We revise these assumptions based on an annual evaluation of long-term trends, as well as market conditions, which may have an impact on the cost of providing retirement benefits.

The weighted-average assumed healthcare cost trend rate used for post-retirement measurement purposes is 10.0% for 2007 and for the remaining life of the post-retirement medical plan, which will terminate when the last eligible participant reaches the age of 65. A one percent increase or decrease in the assumed healthcare cost trend would have an immaterial effect on the post-retirement service and interest cost and post-retirement benefit obligation.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

The investment policy and strategy of the plan assets, as established by NASD Pension Plan Committee, and adopted by Nasdaq when we established our own plans, is to provide for preservation of principal, both in nominal and real terms, in order to meet the long-term spending needs of the pension plan by investing assets per the target allocations stated below. Asset allocations are reviewed quarterly and adjusted, as appropriate, to remain within target allocations. The investment policy is reviewed on an annual basis, under the advisement of an investment consultant, to determine if the policy or asset allocation targets should be changed. The plan assets consisted of the following as of December 31:

	Target Allocation	2006	2005
Equity securities	60.0%	61.0%	65.5%
Debt securities and cash equivalents	20.0%	18.3	19.5
Other investment strategies	20.0%	20.7	15.0
Total		100.0%	100.0%

The expected rate of return on plan assets for our pension plan represents our long-term assessment of return expectations which may change based on significant shifts in economic and financial market conditions. The long-term rate of return on plan assets are derived from return assumptions determined for each of the above asset categories, weighted based on the current target allocation for each class. Equity securities are expected to return 8.5% to 10.5% over the long-term, other investment strategies are anticipated to yield between 8.0% and 10.0%, while cash and fixed income is expected to return between 6.0% and 7.0%. The return expectations for each of these asset categories are based largely on assumptions about economic growth and inflation, which are supported by long-term historical data. Based on historical experience, the committee expects that the plan's asset managers overall will provide a modest (1.0% per annum) premium to their respective market benchmark indexes.

Estimated Future Benefit Payments

Based on the current Internal Revenue Service regulations, we expect to contribute approximately $3.3 million to the pension plan in 2007. This includes $2.2 million for the 2006 plan year contribution and $1.1 million for the 2007 plan year. The SERP and post-retirement plans are unfunded.

We expect to make the following benefit payments to participants in the next ten fiscal years:

	Pension	SERP	Post-retirement	Total
			(in thousands)	
Fiscal year ended:				
2007	$ 2,978	$ 580	$ 75	$ 3,633
2008	2,693	3,895	66	6,654
2009	2,850	568	57	3,475
2010	2,859	554	50	3,463
2011	4,635	7,874	41	12,550
2012 through 2016	29,888	4,548	157	34,593
	$45,903	$18,019	$ 446	$64,368

Defined Contribution Savings Plan

We sponsor a voluntary defined contribution savings plan. Employees are immediately eligible to make contributions to the plan and are also eligible for an employer contribution match at an amount equal to 100.0%

of the first 4.0% of eligible employee contributions. Savings plan expense included in compensation and benefits expense in the Consolidated Statements of Income was $3.2 million in 2006, $2.7 million in 2005 and $3.1 million in 2004.

12. 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 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 50.0% of the award on the fourth anniversary of the grant date, or extended vesting on the sixth anniversary of the grant date, upon achievement of the applicable performance parameters. Options issued under this grant also expire ten years from the grant date.

Additionally, our 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 beginning January 1, 2006 with the adoption of SFAS 123(R).

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 December 31, 2006 we had approximately 5.6 million shares of common stock reserved for future issuance under our stock option and restricted stock award plans 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 year ended December 31, 2006 and restricted stock awards for years ended December 31, 2005 and 2004 in the Consolidated Statements of Income:

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Share-based compensation expense before income taxes	$ 9,871	$1,358	$ 541
Income tax benefit	(3,872)	(533)	(212)
Total share-based compensation expense after income taxes	$ 5,999	$ 825	$ 329

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Notes to Consolidated Financial Statements—(Continued)

Had we not recognized additional share-based compensation expense for stock options and the 15.0% discount for the ESPP, our basic earnings per share would have increased by $0.04 for the year ended December 31, 2006, and our diluted earnings per share would have increased by $0.03 for the year ended December 31, 2006. Under both SFAS 123(R) and APB 25, our previous accounting standard, we recognized compensation expense for restricted stock awards which is not included in the above earnings per share amounts.

We received net cash proceeds from the exercise of approximately 2.5 million stock options of $28.4 million for the year ended December 31, 2006, received net cash proceeds from the exercise of approximately 4.1 million stock options of $51.7 million for the year ended December 31, 2005, and received net cash proceeds from the exercise of approximately 0.3 million stock options of $1.7 million for the year ended December 31, 2004. In accordance with SFAS 123(R), we present excess tax benefits from the exercise of stock options, if any, as financing cash flows.

Prior to the adoption of SFAS 123(R), we applied SFAS 123, amended by SFAS No. 148, "Accounting for Share-Based Compensation—Transition and Disclosure," or SFAS 148, which allowed companies to apply the existing accounting rules under APB 25 and related interpretations. In general, as the exercise price of options granted under these plans was equal to the market price of the underlying common stock on the grant date, we did not recognize share-based employee compensation cost in our net income for periods prior to the adoption of SFAS 123(R). As a result of adopting SFAS 123(R), we recorded $24.8 million of income tax benefits related to tax deductions in excess of the compensation cost recognized from the exercise of stock options as cash provided by financing activities in the Consolidated Statements of Cash Flows for the year ended December 31, 2006. For the year ended December 31, 2005, a $21.5 million benefit arose from the tax deductions related to the exercise of stock options. On January 1, 2006, as required by SFAS 123(R), we recorded the deferred stock compensation and common stock issuable balances to additional paid-in capital.

As required by SFAS 148, prior to the adoption of SFAS 123(R), we provided pro forma net income and pro forma net income per common share disclosures for share-based awards, as if the fair-value-based method defined in SFAS 123 had been applied. The following table illustrates the effect on net income and basic and diluted earnings per share as if we had applied the fair value recognition provisions of SFAS 123 to share-based compensation:

	Year Ended December 31,	
	2005	2004
	(in thousands, except per share amounts)	
Reported net income from continuing operations	$ 61,690	$ 1,804
Share-based compensation cost determined under fair-value-based method for stock options (net of tax of $2,418 and $2,541, respectively)	(3,746)	(3,936)
Pro forma net income (loss)	$ 57,944	$ (2,132)
Pro forma basic earnings (loss) per share	$ 0.64	$ (0.19)
Pro forma diluted earnings (loss) per share	$ 0.54	$ (0.19)

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

	Year Ended December 31,		
	2006	2005	2004
Expected life (in years)	5	5	5
Weighted-average risk free interest rate	4.87%	4.05%	3.43%
Expected volatility	33.8%	30.0%	30.0%
Dividend yield	—	—	—
Weighted-average fair value at grant date	$ 13.90	$ 7.05	$ 2.49

Our computation of expected volatility for the year ended December 31, 2006 is based on a combination of historical and market-based implied volatility and for the years ended December 31, 2005 and 2004 is based on historical volatility. 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 Credit Facilities prohibit us from paying dividends. Before our Credit Facilities had been in place, it was not our policy to declare or pay cash dividends on our common stock.

A summary of stock option activity for the years ended December 31, 2006, 2005 and 2004 is as follows:

	Stock Options Outstanding	
	Number Outstanding	Weighted-Average Exercise Price Per Share
Outstanding at January 1, 2004	13,423,134	$ 10.82
Grants	6,068,800	7.58
Exercises	(310,296)	5.39
Forfeitures or expirations	(2,124,875)	10.94
Outstanding at December 31, 2004	17,056,763	$ 9.75
Grants	439,650	20.59
Exercises	(4,131,058)	12.48
Forfeitures or expirations	(1,253,252)	9.46
Outstanding at December 31, 2005	12,112,103	$ 9.23
Grants	2,444,393	36.09
Exercises	(2,470,545)	11.76
Forfeitures or expirations	(441,976)	11.85
Outstanding at December 31, 2006	11,643,975	$ 14.24

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

The following table summarizes significant ranges of outstanding and exercisable stock options as of December 31, 2006:

	Stock Options Outstanding				Stock Options Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value (in thousands)	Number Exercisable	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value (in thousands)
$ 5.28 - $ 7.34	2,299,050	6.6	$ 5.98	$ 57,044	1,940,450	$ 5.92	$ 48,252
$ 7.35 - $ 8.34	3,349,150	7.9	$ 7.38	78,396	77,625	$ 7.46	1,811
$ 8.35 - $10.24	2,214,049	6.8	$ 8.82	48,638	1,242,081	$ 8.57	27,602
$10.25 - $14.49	1,063,059	4.3	$ 12.78	19,147	1,063,059	$ 12.78	19,147
$14.50 - $19.69	46,900	8.4	$ 15.92	697	10,375	$ 15.99	153
$19.70 - $25.01	113,260	8.5	$ 20.95	1,114	36,010	$ 20.41	374
$25.02 - $30.09	187,414	9.1	$ 26.43	818	24,247	$ 25.96	117
$30.10 - $35.91	66,150	9.1	$ 32.28	21	12,375	$ 30.83	7
$35.92 - $38.99	2,067,043	9.9	$ 36.03	—	375	$ 36.08	—
$39.00 - $42.28	237,900	9.4	$ 40.03	—	4,812	$ 41.98	—
Total	11,643,975	7.5	$ 14.24	$ 205,875	4,411,409	$ 8.71	$ 97,463

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 December 31, 2006 of $30.79 and the exercise price, times the number of shares) based on stock options with an exercise price less than Nasdaq's closing price of $30.79 as of December 31, 2006, 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 December 31, 2006 was 4.4 million. As of December 31, 2005, 5.3 million outstanding stock options were exercisable and the weighted-average exercise price was $10.30.

Total fair value of stock options vested was $4.1 million for the year ended December 31, 2006. The total pre-tax intrinsic value of stock options exercised was $67.4 million during 2006, $56.8 million during 2005 and $0.7 million for 2004.

At December 31, 2006, $26.0 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 2.2 years.

The following table summarizes our restricted stock award activity for the year ended December 31, 2006:

	Restricted Stock Awards	Weighted-Average Grant Date Fair Value
Unvested awards at January 1, 2006	453,406	$ 15.02
Granted	527,619	35.77
Vested	(180,518)	12.11
Forfeited	(217)	35.92
Unvested awards at December 31, 2006	800,290	$ 29.35

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Notes to Consolidated Financial Statements—(Continued)

At December 31, 2006, $20.3 million of total unrecognized compensation cost related to restricted stock awards is expected to be recognized over a weighted-average period of 2.5 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. During 2006 employees purchased 81,481 shares at a weighted-average price of $24.58, during 2005 employees purchased 106,347 shares at a weighted-average price of $11.29, and during 2004 employees purchased 110,408 shares at a weighted-average price of $5.45 under the ESPP. For the year ended December 31, 2006, we recorded $0.4 million of compensation expense for the 15.0% discount that is given to our employees. There was no expense recorded for the years ended December 31, 2005 and 2004 for the discount under APB 25.

13. Related Party Transactions

Related party receivables and payables are the result of various transactions between us and our affiliates. Prior to December 20, 2006 we were a subsidiary of NASD and transactions between Nasdaq and NASD were considered related party transactions. As discussed in Note 1, "Organization and Nature of Operations," NASD achieved full divestiture of ownership of our common stock in 2006 and the one share of Series D preferred stock held by NASD was redeemed by Nasdaq on December 20, 2006. Therefore, as of December 20, 2006, NASD is no longer considered a related party. Before December 20, 2006, payables to related parties were comprised primarily of the regulation charge from NASDR. NASDR charges us for costs incurred related to our market regulation and enforcement.

Surveillance and Other Regulatory Charges from NASDR

NASDR currently provides us with regulatory services, including the regulation of trading activity on The Nasdaq Stock Market and surveillance and investigative functions for us. NASDR charges us for these services based upon NASD management's estimated percentage of costs incurred by each NASDR department that are attributable directly to The Nasdaq Stock Market. The following table represents the composition of costs charged by NASDR to us:

	Year Ended December 31,		
	2006	2005	2004
		(in thousands)	
Compensation and benefits	$16,187	$20,204	$17,887
Professional and contract services	8,133	9,525	11,932
Occupancy	991	1,205	1,096
Computer operations and data communications	2,447	2,370	3,455
Depreciation	4,879	7,044	9,377
General, administrative and other	1,134	1,374	1,841
Total	$33,771	$41,722	$45,588

These costs have decreased primarily due to the transfer of ownership of the OTCBB to NASD which reduced the associated regulatory costs. Also contributing to the decreases was a reduction in surveillance and other regulatory charges from NASDR due to NASD's review and allocation of expenses among the markets and members it regulates.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Regulatory Services Agreement

Prior to December 2006, we did not have a formalized written agreement with NASDR for the performance of regulatory services. We have entered into a regulatory services agreement under which NASDR provides regulatory services to us for ten years commencing August 1, 2006. See Item 1. "Business—Regulatory Contractual Relationships with NASDR" for further discussion.

Other Related Party Transactions

Public Offerings

On February 15, 2005, we completed an underwritten offering of 16,586,980 shares of common stock underlying warrants, which had expired unexercised, owned by NASD and an additional 3,246,536 shares of common stock owned by certain selling stockholders who purchased the shares in our private placements in 2000 and 2001.

In the first quarter of 2006, we completed a public offering of 15,979,513 shares of our common stock, of which we sold 8,042,142 shares issued from common stock in treasury and NASD and other selling stockholders sold 7,937,371 shares. Other selling stockholders initially received their shares through the exercise of warrants they purchased in our 2000 and 2001 private placements.

Preferred Stock

In March 2002, we issued 1,338,402 shares of Series A Cumulative preferred stock and one share of Series B preferred stock. NASD owned all of the outstanding shares of Series A Cumulative preferred stock and Series B preferred stock. The Series A Cumulative preferred stock carried a 7.6% dividend rate for the year commencing March 2003 and carried a 10.6% dividend rate in all subsequent years. The Series B preferred stock did not pay dividends. On September 30, 2004, NASD waived a portion of the dividend for the third quarter of 2004 of $2.5 million and accepted an aggregate amount of $1.0 million (calculated based on an annual rate of 3.0%) as payment in full of the dividend for this period. On November 29, 2004, we entered into an exchange agreement with NASD pursuant to which NASD exchanged 1,338,402 shares of our Series A Cumulative preferred stock, representing all the outstanding shares of Series A Cumulative preferred stock, for 1,338,402 shares of newly issued Series C Cumulative preferred stock. The Series C Cumulative preferred stock accrued quarterly dividends at an annual rate of 3.0% for all periods until July 1, 2006 and at an annual rate of 10.6% for periods thereafter.

On April 21, 2005, we and NASD entered into a Stock Repurchase and Waiver Agreement whereby NASD consented to the financing used in connection with the acquisition of INET. In exchange for the waiver, we repurchased 384,932 shares of our Series C Cumulative preferred stock owned by NASD for approximately $40.0 million. On December 20, 2005, NASD exchanged its one share of our Series B preferred stock for one newly issued share of Series D preferred stock, which had terms substantially similar to the terms of the Series B preferred stock. See Note 14, "Capital Stock," for further discussion of the preferred stock transactions.

On February 15, 2006 we redeemed our Series C Cumulative preferred stock, held by NASD, for $104.7 million including accrued and unpaid dividends and a make-whole premium. We used a portion of the net proceeds obtained from the first quarter 2006 public equity offering to fund the redemption.

As discussed above, on December 20, 2006, we redeemed our Series D preferred stock held by NASD.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

NASD Equity Ownership

NASD achieved full divestiture of ownership in our common stock in 2006, and as discussed above, we redeemed the Series D preferred stock held by NASD on December 20, 2006. Therefore, NASD no longer maintains voting control of us and we are no longer a subsidiary of NASD.

Registration of NASD Warrant Shares

In May 2006, we began registering for resale up to 14,201,625 shares of common stock issued or issuable upon the exercise of warrants that were sold to investors by NASD in our 2000 and 2001 private placements. We have filed a registration statement and a series of prospectus supplements to register a portion of these shares. We have agreed to make the resale registration statement and related prospectus supplements available to selling stockholders until June 27, 2007, subject to blackout periods and other conditions.

Repurchase of NASD Warrant Shares

In connection with our acquisition of INET, we acquired warrants that were originally purchased by INET from NASD in our 2000 and 2001 private placements. In June 2006, we exercised these warrants. We paid NASD approximately $0.7 million for these warrant shares, which were immediately retired to common stock in treasury.

Trade Reporting Facility

To facilitate our operations as a national securities exchange, we formed the TRF. Through the TRF we continue to collect reports of trades executed by broker-dealers outside of our exchange. NASD regulates the TRF as one of its facilities. The TRF began operating on August 1, 2006 for Nasdaq-listed securities and will begin operating in March 2007 for non-Nasdaq-listed securities. For further discussion of the TRF, See Item 1. “Business—Products and Services, Market Services.”

Related Party Revenues and Expenses

As discussed above, NASDR provides us with regulatory services, including the regulation of trading activity on The Nasdaq Stock Market and surveillance and investigative functions for us.

In October 2005, we transferred responsibility for the OTCBB, an electronic screen-based quotation service for securities that, among other things, are not listed on The Nasdaq Stock Market or any U.S. national securities exchange, back to NASD, but agreed to continue to operate the OTCBB on a contract basis for two years, subject to renewals.

Nasdaq Technology Services, LLC was established in 2004 and provides software, hosting and disaster recovery services to third parties. Effective November 1, 2004, Nasdaq Technology and NASD entered into a contract for technology development support services for a fixed income trade reporting platform. Revenues for the services are recorded in other Market Services revenues. Prior to the new contract, we provided these services on a cost reimbursement basis.

We also pay NASD for the use of office space.

Sale of Building

In June 2005, we completed the sale of the building we owned in Rockville, Maryland located at 9513 Key West Avenue to NASD for $17.8 million. See Note 5, “Cost Reduction Program, INET Integration and Strategic Review,” for further discussion.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

14. Capital Stock

Common Stock

At December 31, 2006, 300,000,000 shares of our common stock were authorized, 130,708,873 shares were issued and 112,317,987 shares were outstanding. The holders of common stock are entitled to one vote per share except that our certificate of incorporation limits the ability of any person to vote in excess of 5.0% of the then-outstanding voting interests in us. This limitation does not apply to persons exempted from this limitation by our board of directors prior to the time such person owns more than 5.0% of the then-outstanding voting interests in us.

In connection with our restructuring in 2000, NASD sold 10,806,494 warrants to purchase an aggregate of 43,225,976 outstanding shares of common stock then owned by NASD. Each warrant issued by NASD entitled the holder to purchase one share in each of four one-year exercise periods. The exercise periods expired on June 27, 2003, June 25, 2004, June 27, 2005 and June 27, 2006. As of December 31, 2006, holders had exercised warrants to purchase approximately 17,335,683 shares of common stock during the four exercise periods.

In connection with our acquisition of INET, we acquired warrants that were originally purchased by INET from NASD in our 2000 and 2001 private placements. In June 2006, we exercised these warrants. We paid NASD approximately $0.7 million for these warrant shares, which were immediately retired to common stock in treasury.

Public Equity Offerings

In the first quarter of 2005, we completed a public offering of 16,586,980 shares of common stock owned by NASD and an additional 3,246,536 shares of common stock owned by selling stockholders who received their shares upon the exercise of warrants purchased in our private placements in 2000 and 2001. We, our officers or other employees did not sell any shares in the offering and we did not receive any proceeds from the offering.

In the first quarter of 2006, we completed another public offering of 15,979,513 shares of common stock, of which we sold 8,042,142 shares issued from common stock in treasury and NASD and other selling stockholders sold 7,937,371 shares. Other selling stockholders initially received their shares through the exercise of warrants they purchased in our 2000 and 2001 private placements. We used a portion of the net proceeds obtained from this offering to fund the redemption of our Series C Cumulative preferred stock (see below).

In May 2006, we completed a third public offering of 18,500,000 shares of our common stock, for net proceeds of $665.2 million before deducting offering expenses. These proceeds were used to prepay a portion of the amount outstanding under the April 2006 Credit Facility.

Preferred Stock

As part of the separation from NASD, we repurchased a total of 52,230,433 shares of common stock from NASD during 2001 and 2002. We purchased the common stock for approximately $305.2 million in aggregate cash consideration, 1,338,402 shares of our Series A Cumulative preferred stock (face and liquidation value of $100 per share, plus any accumulated unpaid dividends) and one share of our Series B preferred stock, (face and liquidation value of $1.00 per share). On November 29, 2004, we entered into an exchange agreement with NASD pursuant to which NASD exchanged 1,338,402 shares of Series A Cumulative preferred stock, representing all the outstanding shares of Series A Cumulative preferred stock, for 1,388,402 shares of newly issued Series C Cumulative preferred stock (face and liquidation value of $100 per share, plus any accumulated

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

and unpaid dividends). The Series C Cumulative preferred stock accrued quarterly dividends at an annual rate of 3.0% for all periods until July 1, 2006 and at an annual rate of 10.6% for periods thereafter, payable at the discretion of our board of directors. We recognized a loss of $3.9 million on the exchange of the preferred securities in retained earnings in the Consolidated Balance Sheets in the fourth quarter of 2004. This loss was due to the difference between the combined fair market value of the Series C Cumulative preferred stock and additional dividend ($137.7 million) versus the redemption value ($133.8 million) of the Series A Cumulative preferred stock.

On April 21, 2005, we and NASD entered into a Stock Repurchase and Waiver Agreement whereby NASD consented to the financing of the INET acquisition. In exchange for the waiver, we repurchased 384,932 shares of Series C Cumulative preferred stock owned by NASD for approximately $40.0 million, which included all accrued and unpaid dividends and Additional Redemption Amounts (as defined in the Certificate of Designations, Preferences and Rights of the Series C Cumulative preferred stock) due on these repurchased shares. As a result of the Stock Repurchase and Waiver Agreement, the carrying value of the Series C Cumulative preferred stock was adjusted to $93.4 million and was to accrete to its total redemption value of $95.3 million.

On September 30, 2005, we evaluated the likelihood of redeeming the Series C Cumulative preferred stock by December 31, 2005, our original estimate of its redemption date. Our management then expected that it was more probable that the redemption would take place by March 2006. Therefore, in the third quarter of 2005, we recorded a pre-tax charge of $1.8 million for the increase in fair market value of the amount of additional payment to NASD, which is included in general, administrative and other expense in the Consolidated Statements of Income.

On February 15, 2006, we redeemed our Series C Cumulative preferred stock for $104.7 million including accrued and unpaid dividends and a make-whole premium. We used a portion of the net proceeds obtained from the first quarter 2006 public equity offering to fund the redemption.

On December 20, 2005, NASD exchanged its one share of our Series B preferred stock for one newly issued share of Series D preferred stock, which had terms substantially similar to the terms of the Series B preferred stock. The Series D preferred stock did not pay dividends. NASD, as holder of the one share of the Series D preferred stock, was entitled to cast the number of votes that, together with all other votes that NASD was entitled to vote by virtue of ownership, proxies or voting trusts, enabled NASD to cast one vote more than one-half of all votes entitled to be cast by stockholders. On December 20, 2006, Nasdaq redeemed for $1.00 the one outstanding share of Series D preferred stock that had been issued to NASD.

Convertible Notes and Warrants

The holders of the $205.0 million convertible notes and $240.0 million convertible notes have the rights as discussed in Note 9, “Debt Obligations.” In connection with the financing of the acquisition of INET, SLP also received 1,523,325 warrants and H&F received 3,400,000 warrants to purchase our common stock at a price of $14.50. The warrants became exercisable on April 22, 2006 and will terminate on December 8, 2008.

In connection with the repurchase of an ownership interest of a shareholder in Nasdaq Europe Planning in 2001, Nasdaq issued a warrant to purchase up to an aggregate of 479,648 shares of common stock. The warrant was exercisable in four annual tranches ranging from $13.00 to $16.00 per share beginning June 28, 2002. The issuance of the warrants has been recorded at fair value in stockholders’ equity. As of December 31, 2006, all tranches have expired unexercised.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

15. Earnings Per Common Share

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

	Year Ended December 31,		
	2006	2005	2004
	(in thousands, except share and per share amounts)		
Numerator:			
Net income (loss) applicable to common stockholders:			
Net income	$ 127,893	$ 61,690	$ 11,362
Net income from discontinued operations	—	—	9,558
Net income from continuing operations	127,893	61,690	1,804
Preferred stock:			
Loss on exchange of securities	—	—	(3,908)
Dividends declared	(359)	(3,220)	(8,354)
Accretion of preferred stock	(331)	(3,377)	(926)
Net income (loss) applicable to common stockholders from continuing operations for basic earnings per share	127,203	55,093	(11,384)
Net income from discontinued operations for basic earnings per share	—	—	9,558
Net income (loss) applicable to common stockholders for basic earnings per share	$ 127,203	$ 55,093	$ (1,826)
Net income (loss) applicable to common stockholders from continuing operations for basic earnings per share	$ 127,203	$ 55,093	$ (11,384)
Interest impact of convertible notes, net of tax	10,142	8,826	—
Net income from discontinued operations for diluted earnings per share	—	—	9,558
Net income (loss) applicable to common stockholders for diluted earnings per share	$ 137,345	$ 63,919	$ (1,826)
Denominator:			
Weighted average common shares outstanding for basic earnings per share	104,311,040	80,543,397	78,607,126
Weighted average effect of dilutive securities:			
Employee stock options and awards	6,315,735	5,288,069	—
Convertible notes assumed converted into common stock	30,689,655	25,005,952	—
Warrants	2,912,425	1,076,297	—
Denominator for diluted earnings per share	144,228,855	111,913,715	78,607,126
Basic and diluted earnings (loss) per share:			
Basic earnings (loss) per share:			
Continuing operations	$ 1.22	$ 0.68	$ (0.14)
Discontinued operations	—	—	0.12
Total basic earnings (loss) per share	$ 1.22	$ 0.68	$ (0.02)
Diluted earnings (loss) per share:			
Continuing operations	$ 0.95	$ 0.57	$ (0.14)
Discontinued operations	—	—	0.12
Total diluted earnings (loss) per share	$ 0.95	$ 0.57	$ (0.02)

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Options to purchase 11,643,975 shares of common stock, 800,290 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 December 31, 2006. For the year ended December 31, 2006, we included 9,080,508 of the options outstanding, 313,210 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 12,112,103 shares of common stock, 453,406 shares of restricted stock, convertible notes convertible into 30,689,655 shares of common stock and warrants exercisable into 5,082,412 shares of common stock were outstanding at December 31, 2005. For the year ended December 31, 2005, 11,897,803 of the options outstanding, 378,406 shares of restricted stock, 25,005,952 of the shares underlying the convertible notes and all of the shares underlying the warrants were included in the computation of diluted earnings per share, respectively, on a weighted average basis, as their inclusion was dilutive. The remaining options, shares of restricted stock and shares underlying the convertible notes were considered antidilutive and were properly excluded.

Options to purchase 17,056,763 shares of common stock, 306,662 shares of restricted stock, convertible notes convertible into 12,000,000 shares of common stock and warrants exercisable into 239,834 shares of common stock were outstanding during 2004, but were not included in the computation of earnings per share as their inclusion would be antidilutive.

16. 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, accrued personnel costs, payables to related parties and other current payables. The carrying amounts reported in the Consolidated Balance Sheets for the above financial instruments closely approximates their fair values due to the short-term nature of these assets and liabilities, except for our available-for-sale investments. The carrying amount of our available-for-sale investments were determined based on quoted market prices when available, or if quoted market prices are not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the investment. See Note 7, “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 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. At December 31, 2005, the carrying value of our debt obligations was approximately $730.4 million less than fair value due to the stock appreciation on the convertible option feature from $14.50 at time of issuance to $35.18 at December 31, 2005. See Note 9, “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.

At December 31, 2006, the fair value of our foreign currency forward contracts was $0.2 million and was recorded in the Consolidated Statement of Income. These forward contracts were purchased to hedge our foreign currency exposure on our dividend receivable from the LSE.

In order to hedge the foreign currency exposure on our acquisition bid for the LSE, we purchased foreign currency option contracts at the time of the bid. In accordance with SFAS 133, an anticipated business combination does not meet hedge criteria. The fair value of these contracts at December 31, 2006 was $71.7 million and the amount recorded in the Consolidated Statements of Income was $48.4 million. In conjunction with the lapse of our final offers for LSE, Nasdaq traded out of these foreign exchange contracts. Due to the improving exchange rate of the dollar when compared to the pound sterling, we will be recording a pre-tax 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 is approximately $40.6 million.

17. Accumulated Other 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 securities, foreign currency translation adjustments and employee benefit adjustments.

The following table outlines the components of other comprehensive income (loss):

	Unrealized (Losses) Gains	Translation Adjustments [2]	Employee Benefit Adjustments [3]	Accumulated Other Comprehensive Income (Loss)
		(in thousands)		
Balance, January 1, 2004	$ (49)	$ 1,530	$ (1,395)	$ 86
Net change	(920)	232	(454)	(1,142)
Balance, December 31, 2004	$ (969)	$ 1,762	$ (1,849)	$ (1,056)
Net change	392	(157)	(469)	(234)
Balance, December 31, 2005	$ (577)	$ 1,605	$ (2,318)	$ (1,290)
Net Change	147,320[1]	37	(9,863)	137,494
Balance, December 31, 2006	$146,743	$ 1,642	$ (12,181)	$ 136,204

[1] The 2006 amount includes the unrealized gain related to our investment in the LSE, net of tax, which includes foreign currency gains. See Note 7, “Investments,” for further discussion.

[2] Includes after-tax gains and losses on foreign currency translation from operations for which the functional currency is other than the U.S. dollar.

[3] For 2005 and 2004, represents the after-tax adjustment for minimum pension liability for the SERP in accordance with SFAS 87. For 2006, represents the after-tax adjustment to record the unrecognized obligation adjustment related to our pension, SERP and post-retirement benefit plans in accordance with SFAS 158. See Note 11, “Employee Benefits,” for further discussion.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

18. Leases

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

As of December 31, 2006, future minimum lease payments under non-cancelable operating leases (net of sublease income) are as follows:

	Gross Lease Commitments	Sublease Income	Net Lease Commitments
		(in thousands)	
Year ending December 31:			
2007	$ 28,925	$ 2,997	$ 25,928
2008	24,997	2,982	22,015
2009	23,904	2,771	21,133
2010	22,947	2,432	20,515
2011 and thereafter	138,809	12,957	125,852
Total future minimum lease payments	$ 239,582	$24,139	$ 215,443

Rent expense for operating leases (net of sublease income of $3.0 million in 2006, $2.2 million in 2005 and $0.4 million in 2004) was $25.6 million in 2006, $18.5 million in 2005 and $18.3 million in 2004.

19. Commitments, Contingencies and Guarantee

LSE Offer/Share Acquisition

In November 2006, we announced the terms of final offers to acquire all of the ordinary share capital of LSE not already owned by NAL at a price of 1,243 pence per share and all of the B Share capital of LSE at a price of 200 pence (plus accrued dividend) per share. These final offers lapsed on February 10, 2007. See Item 1. “Business—Acquisition Strategy” and Item 1A. “Risk factors—Future acquisitions, partnerships and joint ventures may require significant resources and/or result in significant unanticipated losses, costs and liabilities” for further discussion.

Nasdaq Execution Services, LLC Agreements

On February 1, 2006, Brut and INET merged together into a single broker-dealer, Brut, LLC. Subsequently, Brut, LLC was renamed Nasdaq Execution Services, LLC.

Nasdaq Execution Services contracted with a subsidiary of SunGard, SunGard Financial Systems Inc., 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 is five years and began in September 2004 and is 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 is subject to price review in years four and five based on market rates, but will 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. Therefore, we have decided to exit the above agreement that we have with SunGard Financial which will result in a charge to earnings of approximately $11.0 million in the second quarter of 2007.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Nasdaq Execution Services also contracted with SunGard to host certain software on designated equipment at a SunGard facility for a transitional period beginning in September 2004. This agreement has been amended and under the terms of the current agreement between SunGard and the Exchange, which was effective August 7, 2006, the monthly payment was reduced to a nominal amount for the remainder of the term of the agreement which now expires in December 2007. After January 1, 2007, the amended agreement may be canceled at any time upon providing SunGard thirty days written notice.

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 Consolidated Balance Sheets for these arrangements.

In August 2006, Nasdaq Execution Services settled a regulatory matter with NASD regarding compliance with Nasdaq Execution Services' obligations regarding short sales, firm quotes and other reporting and disclosure requirements. For the year ended December 31, 2006, we recorded a $2.2 million charge for the amount of the fine or penalty associated with these matters.

Leases

We lease some of our office space and equipment under non-cancelable operating leases with third parties and also sublease office space from NASD 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. See Note 18, "Leases," for further discussion.

Escrow Agreements

In connection with our acquisitions of 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. In 2006, $1.5 million was paid from the escrow account for the settlement of closing conditions related to the Carpenter Moore acquisition. There were no payments during 2006 for PrimeNewswire or Shareholder.com. At December 31, 2006, these escrow agreements provide for future payments of $10.4 million in 2007 and $3.3 million in 2008.

Transfer of Sponsorship of Exchange Traded Funds

In October 2006, we announced an agreement with PowerShares that will transfer the sponsorship functions including sales, marketing and administration of our QQQ, EQQQ and BLDRs ETFs. These transactions are expected to close by June 2007 pending approval by the SEC and the Irish Financial Services Regulatory Authority and are not expected to have a material effect on our consolidated financial position or results of operations. Nasdaq will maintain status as licensor of the QQQ and the EQQQ ETFs. Nasdaq will continue to receive license fees from both these ETFs as they benchmarked against the Nasdaq-100 Index.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

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 will guarantee the obligations of the Exchange under the indenture. The reorganization will not have a material effect on our consolidated financial position or results of operations.

Deferred Tax Benefit

We and SLP have an agreement to share the deferred tax benefit on the 2005 sale of Instinet's Institutional Brokerage division. We expect to pay SLP $27.9 million in 2007. See Note 10, "Income Taxes," for further discussion.

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 SFAS 142.

20. 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 (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 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 in LSE.

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

The following table presents certain information regarding these operating segments for the years ended December 31, 2006, 2005 and 2004.

	Market Services	Issuer Services	Corporate Items and Eliminations	Consolidated
		(in thousands)		
2006				
Revenues	$ 1,408,297	$ 249,016	$ 463	$1,657,776
Cost of revenues	(970,381)	—	—	(970,381)
Gross margin	437,916	249,016	463	687,395
Depreciation and amortization	60,412	10,495	9	70,916
Pre-tax income	137,509	50,791	24,845	213,145
Assets [1]	1,430,270	223,476	2,062,706	3,716,452
Cash paid for property and equipment	10,893	10,132	10	21,035

	Market Services	Issuer Services	Corporate Items and Eliminations	Consolidated
		(in thousands)		
2005				
Revenues	$ 653,654	$ 226,033	$ 232	$ 879,919
Cost of revenues	(353,908)	—	—	(353,908)
Gross margin	299,746	226,033	232	526,011
Depreciation and amortization	54,341	12,229	416	66,986
Pre-tax income (loss)	28,001	88,497	(10,236)	106,262
Assets [1]	1,420,023	183,768	442,995	2,046,786
Cash paid for property and equipment	16,177	8,929	296	25,402

	Market Services	Issuer Services	Corporate Items and Eliminations	Consolidated
		(in thousands)		
2004				
Revenues	$ 334,517	$ 205,821	$ 103	$ 540,441
Cost of revenues	(55,845)	—	—	(55,845)
Gross margin	278,672	205,821	103	484,596
Depreciation and amortization	58,441	17,438	457	76,336
Pre-tax (loss) income	(58,945)	67,575	(6,077)	2,553
Assets [1]	435,534	87,240	292,046	814,820
Cash paid for property and equipment	22,306	3,650	73	26,029

[1] Corporate items also include the assets of our Treasury Department (primarily cash and cash equivalents and investments). The increase in assets at December 31, 2006 as compared to December 31, 2005 was primarily due to our investment in the LSE.

For further discussion of our segments' results, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Geographic Data

The following table presents revenues and property and equipment, net by geographic area for 2006, 2005 and 2004. Revenues are classified based upon the location of the customer. Property and equipment information is based on the physical location of the assets.

	Revenues	Property and Equipment, Net
	(in thousands)	
2006:		
United States	$1,580,824	$ 64,798
All other countries	76,952	471
Total	$1,657,776	$ 65,269
2005:		
United States	$ 830,060	$ 122,024
All other countries	49,859	552
Total	$ 879,919	$ 122,576
2004:		
United States	$ 494,132	$ 173,083
All other countries	46,309	757
Total	$ 540,441	$ 173,840

No single customer accounted for 10.0% or more of our revenues in 2006, 2005 and 2004.

21. Discontinued Operations

On December 18, 2003, we transferred our interest in Nasdaq Europe to one of that company's original investors for nominal cash consideration. In the fourth quarter of 2004, we recognized a gain on the release of a reserve for potential claims against us that management established at the time of the transfer of our shares of Nasdaq Europe. In the fourth quarter of 2004, Easdaq (formerly known as Nasdaq Europe) reached agreements with certain of its creditors to settle these creditors' existing claims against Easdaq. We were the third party beneficiary of these creditor agreements and released the $15.1 million reserve management established. For further discussion of discontinued operations, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

In accordance with SFAS 144, Nasdaq Europe is reflected as discontinued operations for 2004. As discontinued operations, the revenues, costs and expenses of Nasdaq Europe have been excluded from the respective captions in the Consolidated Statements of Income, and have been presented separately as "Income from discontinued operations, net of tax."

The following table presents condensed, results of operations for Nasdaq Europe.

	Year Ended December 31, 2004
	(in thousands)
Revenues	$ —
Pre-tax income	15,154
Provision for income taxes	5,596
Income from discontinued operations	$ 9,558

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

22. 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 consolidated financial statements of Nasdaq taken as a whole and assumes operation of the Exchange since January 1, 2004 on a pro forma basis. As a result of our internal reorganization as discussed in Note 19, "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, 2004. 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 and income from discontinued operations in 2004.

Eliminations and Consolidating Adjustments

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

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

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 December 31, 2006:					
Assets					
Current assets:					
Cash and cash equivalents	$ 249,776	$ 57,516	$ 14,703	$ —	$ 321,995
Available-for-sale investments, at fair value	51,773	—	1,576,436	—	1,628,209
Receivables, net	50,969	157,515	25,430	(648)	233,266
Receivables from related parties	949,177	108,369	114,695	(1,172,241)	—
Other current assets	6,263	19,014	103,910	(111)	129,076
Total current assets	1,307,958	342,414	1,835,174	(1,173,000)	2,312,546
Goodwill	—	964,985	63,761	—	1,028,746
Other assets	61,738	285,544	28,050	(172)	375,160
Investment in consolidated subsidiaries	1,466,981	—	—	(1,466,981)	—
Total assets	$ 2,836,677	$ 1,592,943	$1,926,985	$(2,640,153)	$3,716,452
Liabilities and stockholders' equity					
Current liabilities:					
Accounts payable and accrued expenses	$ 19,067	$ 133,505	$ 18,797	$ (616)	$ 170,753
Payables to related parties	114,695	45,387	56,367	(216,449)	—
Other current liabilities	79,708	97,822	112,395	(143)	289,782
Total current liabilities	213,470	276,714	187,559	(217,208)	460,535
Debt obligations	1,050,142	442,805	—	—	1,492,947
Other liabilities	99,583	177,670	984,230	(955,964)	305,519
Total liabilities	1,363,195	897,189	1,171,789	(1,173,172)	2,259,001
Minority interest	—	—	96	—	96
Stockholders' equity	1,473,482	695,754	755,100	(1,466,981)	1,457,355
Total liabilities, minority interest and stockholders' equity	$ 2,836,677	$ 1,592,943	$1,926,985	$(2,640,153)	$3,716,452

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

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 December 31, 2005:					
Assets					
Current assets:					
Cash and cash equivalents	$ 33,614	$ 113,789	$ 17,834	$ —	$ 165,237
Available-for-sale investments, at fair value	179,369	—	—	—	179,369
Receivables, net	38,481	150,144	19,007	—	207,632
Receivables from related parties	253,438	564,619	29,253	(847,310)	—
Other current assets	6,198	25,086	13,441	—	44,725
Total current assets	511,100	853,638	79,535	(847,310)	596,963
Goodwill	—	941,275	20,618	—	961,893
Other assets	105,621	368,807	13,502	—	487,930
Investment in consolidated subsidiaries	1,475,332	—	—	(1,475,332)	—
Total assets	$ 2,092,053	$ 2,163,720	$ 113,655	$(2,322,642)	$2,046,786
Liabilities and stockholders' equity					
Current liabilities:					
Accounts payable and accrued expenses	$ 17,306	$ 84,231	$ 17,347	$ —	$ 118,884
Payables to related parties	855,596	19,932	—	(847,310)	28,218
Other current liabilities	77,026	86,693	14,507	—	178,226
Total current liabilities	949,928	190,856	31,854	(847,310)	325,328
Debt obligations	742,500	442,428	—	—	1,184,928
Other long-term liabilities	95,531	185,429	1,565	—	282,525
Total liabilities	1,787,959	818,713	33,419	(847,310)	1,792,781
Minority interest	—	—	998	—	998
Stockholders' equity	304,094	1,345,007	79,238	(1,475,332)	253,007
Total liabilities, minority interest and stockholders' equity	$ 2,092,053	$ 2,163,720	$ 113,655	$(2,322,642)	$2,046,786

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Condensed Consolidating Statement of Income:	Nasdaq Parent Company	The NASDAQ Stock Market LLC (Exchange)	All Other Nasdaq Subsidiaries	Eliminations and Consolidating Adjustments	Nasdaq Consolidated
			(in thousands)		
For the year ended December 31, 2006:					
Revenues					
Market Services	$ 130,223	$ 1,266,880	$ 13,486	$ (2,292)	$1,408,297
Issuer Services	35,523	177,575	36,358	(440)	249,016
Other	79	344	40	—	463
Total revenues	165,825	1,444,799	49,884	(2,732)	1,657,776
Cost of revenues					
Liquidity rebates	(82,341)	(562,519)	—	—	(644,860)
Brokerage, clearance and exchange fees	(4,704)	(320,973)	—	156	(325,521)
Total cost of revenues	(87,045)	(883,492)	—	156	(970,381)
Gross margin	78,780	561,307	49,884	(2,576)	687,395
Expenses					
Compensation and benefits	37,566	133,043	25,053	—	195,662
Depreciation and amortization	11,928	56,657	2,331	—	70,916
Computer operations and data communications	1,971	40,545	771	(1,815)	41,472
Other Expense	99,930	32,674	(358)	(761)	131,485
Total direct expenses	151,395	262,919	27,797	(2,576)	439,535
Support costs from related parties, net	(65,036)	89,843	8,964	—	33,771
Total expenses	86,359	352,762	36,761	(2,576)	473,306
Operating income (loss)	(7,579)	208,545	13,123	—	214,089
Interest expense, net	(15,365)	(11,086)	(40,013)	—	(66,464)
Other non-operating income	—	—	64,618	—	64,618
Minority interest	—	—	902	—	902
Income (loss) before income taxes	(22,944)	197,459	38,630	—	213,145
Income tax provision (benefit)	(6,678)	77,992	13,938	—	85,252
Equity in net income of consolidated subsidiaries	144,159	—	—	(144,159)	—
Net income	$ 127,893	$ 119,467	$ 24,692	$ (144,159)	$ 127,893

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Condensed Consolidating Statement of Income:	Nasdaq Parent Company	The NASDAQ Stock Market LLC (Exchange)	All Other Nasdaq Subsidiaries	Eliminations and Consolidating Adjustments	Nasdaq Consolidated
			(in thousands)		
For the year ended December 31, 2005:					
Revenues					
Market Services	$ 27,299	$ 624,496	$ 4,085	$ (2,226)	$ 653,654
Issuer Services	35,291	182,300	8,539	(97)	226,033
Other	176	22	34	—	232
Total revenues	62,766	806,818	12,658	(2,323)	879,919
Cost of revenues					
Liquidity rebates	(6,063)	(249,438)	—	—	(255,501)
Brokerage, clearance and exchange fees	—	(98,511)	—	104	(98,407)
Total cost of revenues	(6,063)	(347,949)	—	104	(353,908)
Gross margin	56,703	458,869	12,658	(2,219)	526,011
Expenses					
Compensation and benefits	46,518	97,252	8,343	—	152,113
Depreciation and amortization	11,630	54,781	575	—	66,986
Computer operations and data communications	1,719	62,331	226	(1,888)	62,388
Other Expense	62,985	27,909	(1,481)	(331)	89,082
Total direct expenses	122,852	242,273	7,663	(2,219)	370,569
Support costs from related parties, net	(16,768)	58,475	72	—	41,779
Total expenses	106,084	300,748	7,735	(2,219)	412,348
Operating income (loss)	(49,381)	158,121	4,923	—	113,663
Interest expense, net	(10,272)	1,337	1,332	—	(7,603)
Minority interest	—	—	202	—	202
Income (loss) before income taxes	(59,653)	159,458	6,457	—	106,262
Income tax provision (benefit)	(13,468)	55,224	2,816	—	44,572
Equity in net income of consolidated subsidiaries	107,875	—	—	(107,875)	—
Net income	$ 61,690	$ 104,234	$ 3,641	$ (107,875)	$ 61,690

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Condensed Consolidating Statement of Income:	Nasdaq Parent Company	The NASDAQ Stock Market LLC (Exchange)	All Other Nasdaq Subsidiaries	Eliminations and Consolidating Adjustments	Nasdaq Consolidated
			(in thousands)		
For the year ended December 31, 2004:					
Revenues					
Market Services	$ 17,104	$ 319,532	$ —	$ (2,119)	$ 334,517
Issuer Services	39,658	165,990	7,095	(6,922)	205,821
Other	47	—	56	—	103
Total revenues	56,809	485,522	7,151	(9,041)	540,441
Cost of revenues					
Liquidity rebates	(356)	(37,758)	—	—	(38,114)
Brokerage, clearance and exchange fees	(3)	(17,728)	—	—	(17,731)
Total cost of revenues	(359)	(55,486)	—	—	(55,845)
Gross margin	56,450	430,036	7,151	(9,041)	484,596
Expenses					
Compensation and benefits	40,802	103,985	3,368	—	148,155
Depreciation and amortization	18,306	57,810	220	—	76,336
Computer operations and data communications	1,778	98,985	165	(2,025)	98,903
Other Expense	88,779	22,977	2,691	(7,016)	107,431
Total direct expenses	149,665	283,757	6,444	(9,041)	430,825
Support costs from related parties, net	(23,786)	69,299	75	—	45,588
Total expenses	125,879	353,056	6,519	(9,041)	476,413
Operating income (loss)	(69,429)	76,980	632	—	8,183
Interest expense, net	1,206	(9,501)	2,665	—	(5,630)
Income (loss) from continuing operations before income taxes	(68,223)	67,479	3,297	—	2,553
Income tax provision (benefit)	(21,924)	17,596	5,077	—	749
Equity in net income of consolidated subsidiaries	48,103	—	—	(48,103)	—
Net income (loss) from continuing operations	1,804	49,883	(1,780)	(48,103)	1,804
Net income from discontinued operations, net of taxes	9,558	—	—	—	9,558
Net income (loss)	$ 11,362	$ 49,883	$ (1,780)	$ (48,103)	$ 11,362

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Condensed Consolidating Statement of Cash Flows:	Nasdaq Parent Company	The NASDAQ Stock Market LLC (Exchange)	All Other Nasdaq Subsidiaries	Nasdaq Consolidated
		(in thousands)		
For the year ended December 31, 2006:				
Cash provided by (used in) operating activities	$ 130,164	$ 73,758	$ (2,847)	$ 201,075
Cash flows from investing activities				
Proceeds from redemptions of available-for-sale investments	581,670	—	—	581,670
Purchases of available-for-sale investments	(492,210)		(1,334,847)	(1,827,057)
Proceeds from the maturities of available-for-sale investments	38,780	—	—	38,780
Purchase of foreign currency option contracts	—	—	(23,350)	(23,350)
Acquisitions of businesses, net of cash and cash equivalents acquired	—	—	(53,959)	(53,959)
Purchases of property and equipment	(3,486)	(16,975)	(574)	(21,035)
Proceeds from the sales of property and equipment	30,568	—	—	30,568
Cash provided by (used in) investing activities	155,322	(16,975)	(1,412,730)	(1,274,383)
Cash flows from financing activities				
Proceeds from debt obligations	2,000,000	—	—	2,000,000
Payments of debt obligations	(1,689,177)	—	—	(1,689,177)
Net proceeds from equity offerings	972,418	—	—	972,418
Issuances of common stock, net of treasury stock purchases	27,126	—	—	27,126
Investments in and advances to subsidiaries	(1,292,156)	(120,000)	1,412,156	—
Series C Cumulative preferred stock redemptions and dividends	(105,059)	—	—	(105,059)
Income tax benefit related to share-based compensation	17,524	6,944	290	24,758
Cash provided by (used in) financing activities	(69,324)	(113,056)	1,412,446	1,230,066
Increase (decrease) in cash and cash equivalents	216,162	(56,273)	(3,131)	156,758
Cash and cash equivalents at beginning of year	33,614	113,789	17,834	165,237
Cash and cash equivalents at end of year	$ 249,776	$ 57,516	$ 14,703	$ 321,995

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Condensed Consolidating Statement of Cash Flows:	Nasdaq Parent Company	The NASDAQ Stock Market LLC (Exchange)	All Other Nasdaq Subsidiaries	Nasdaq Consolidated
		(in thousands)		
For the year ended December 31, 2005:				
Cash provided by operating activities	$ 13,081	$ 91,027	$ 16,795	$ 120,903
Cash flows from investing activities				
Proceeds from redemptions of available-for-sale investments	559,200	—	—	559,200
Purchases of available-for-sale investments	(591,647)	—	—	(591,647)
Proceeds from the maturities of available-for-sale investments	26,200	—	—	26,200
Proceeds from maturities of held-to-maturity investments	47,921	—	—	47,921
Proceeds from the redemptions of held-to-maturity investments	14,781	—	—	14,781
Purchases of held-to-maturity investments	(32,009)	—	—	(32,009)
Acquisitions of businesses, net of cash and cash equivalents acquired	(970,467)	—	—	(970,467)
Purchases of property and equipment	(11,277)	(13,727)	(398)	(25,402)
Proceeds from the sales of property and equipment	18,040	—	—	18,040
Cash used in investing activities	(939,258)	(13,727)	(398)	(953,383)
Cash flows from financing activities				
Proceeds from debt obligations	955,000	—	—	955,000
Payments of debt obligations	(25,000)	—	—	(25,000)
Investments in and advances to subsidiaries	(3,000)	3,000	—	—
Issuances of common stock, net of treasury stock purchases	52,857	—	—	52,857
Series C Cumulative preferred stock redemptions and dividends	(43,326)	—	—	(43,326)
Cash provided by financing activities	936,531	3,000	—	939,531
Increase in cash and cash equivalents	10,354	80,300	16,397	107,051
Cash and cash equivalents at beginning of year	23,260	33,489	1,437	58,186
Cash and cash equivalents at end of year	$ 33,614	$ 113,789	$ 17,834	$ 165,237

The Nasdaq Stock Market, Inc.

Notes to Consolidated Financial Statements—(Continued)

Condensed Consolidating Statement of Cash Flows:	Nasdaq Parent Company	The NASDAQ Stock Market LLC (Exchange)	All Other Nasdaq Subsidiaries	Nasdaq Consolidated
		(in thousands)		
For the year ended December 31, 2004:				
Cash provided by (used in) operating activities	$ 123,159	$ 38,250	$ (44,384)	$ 117,025
Cash flows from investing activities				
Proceeds from redemptions of available-for-sale investments	240,881	—	—	240,881
Purchases of available-for-sale investments	(235,233)	—	—	(235,233)
Proceeds from the maturities of held-to-maturity investments	26,828	—	—	26,828
Purchases of held-to-maturity investments	(29,058)	—	—	(29,058)
Acquisitions of businesses, net of cash and cash equivalents acquired	(190,000)	—	—	(190,000)
Purchases of property and equipment	(15,482)	(9,761)	(786)	(26,029)
Proceeds from the sales of property and equipment	11,299	—	—	11,299
Cash used in investing activities	(190,765)	(9,761)	(786)	(201,312)
Cash flows from financing activities				
Issuances of common stock, net of treasury stock purchases	2,188	—	—	2,188
Investments in and advances to subsidiaries	(5,540)	5,000	540	—
Series C Cumulative preferred stock redemptions and dividends	(8,644)	—	—	(8,644)
Cash provided by (used in) financing activities	(11,996)	5,000	540	(6,456)
Increase (decrease) in cash and cash equivalents	(79,602)	33,489	(44,630)	(90,743)
Cash and cash equivalents at beginning of year	102,862	—	46,067	148,929
Cash and cash equivalents at end of year	$ 23,260	$ 33,489	$ 1,437	$ 58,186

23. Subsequent Event

Reorganization of Insurance Business

In January 2007 we announced the merger and re-branding of our insurance business (Carpenter Moore and the Nasdaq Insurance Agency) to Carpenter Moore, a Nasdaq Company. The merger and re-branding will not have a material effect on our consolidated financial position or results of operations.

The Nasdaq Stock Market, Inc.

Schedule II—Valuation and Qualifying Accounts
Three Years Ended December 31, 2006
(in thousands)

	Reserve for Bad Debts		
	2006	2005	2004
Balance at beginning of period	$ 7,234	$ 3,158	$ 1,692
Additions:			
Charges to income	464	2,998	1,074
Recoveries of amounts previously written-off	717	1,026	792
Acquisitions [1]	22	5,277	1,240
Deductions:			
Charges for which reserves were provided	(5,685)	(5,225)	(1,640)
Balance at end of period	$ 2,752	$ 7,234	$ 3,158

[1] Relates to the acquisition of Shareholder.com in 2006, the acquisition of INET in 2005, and the acquisition of Brut in 2004.

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Exhibit Index

Exhibit Number	
3.1	Restated Certificate of Incorporation of The Nasdaq Stock Market, Inc. (previously filed with Nasdaq's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 filed on November 14, 2003).
3.1.1	Certificate of Amendment of the Restated Certificate of Incorporation of Nasdaq filed on May 25, 2005 (previously filed with Nasdaq's Annual Report on Form 10-K for the year ended December 31, 2005 filed on March 15, 2006).
3.1.2	Certificate of Amendment of the Restated Certificate of Incorporation of Nasdaq filed on March 13, 2006 (previously filed with Nasdaq's Annual Report on Form 10-K for the year ended December 31, 2005 filed on March 15, 2006).
3.1.3	Certificate of Amendment of the Restated Certificate of Incorporation of Nasdaq filed on August 1, 2006 (previously filed with Nasdaq's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 on November 8, 2006).
3.1.4	Certificate of Designations, Preferences and Rights of Series C Cumulative Preferred Stock of Nasdaq (previously filed with Nasdaq's Current Report on Form 8-K filed on December 1, 2004).
3.1.5	Certificate of Designations, Preferences and Rights of Series D Cumulative Preferred Stock of Nasdaq (previously filed with Nasdaq's Current Report on Form 8-K filed on December 20, 2005).
3.1.6	Certificate of Elimination (previously filed with Nasdaq's Current Report on Form 8-K on April 4, 2006).
3.2	By-Laws of The Nasdaq Stock Market, Inc. (previously filed with Nasdaq's Current Report on Form 8-K on August 3, 2006).
4.1	Form of Common Stock certificate (previously filed with Nasdaq's Registration Statement on Form 10 (file number 000-32651) filed on April 30, 2001).
4.2	Securities Purchase Agreement, dated as of April 22, 2005, between Norway Acquisition SPV, LLC and The Nasdaq Stock Market, Inc. (previously filed with Nasdaq's Current Report on Form 8-K, filed April 28, 2005).
4.3	Note Amendment Agreement, dated as of April 22, 2005, among The Nasdaq Stock Market, Inc., Hellman & Friedman Capital Partners IV, L.P. , H&F Executive Fund IV, L.P., H&F International Partners IV-A, L.P., and H&F International Partners IV-B, L.P. (previously filed with Nasdaq's Current report on Form 8-K, filed April 28, 2005).
4.4	Indenture, dated as of April 22, 2005, between The Nasdaq Stock Market, Inc. and Law Debenture Trust Company of New York, as Trustee (previously filed with Nasdaq's Current Report on Form 8-K, filed April 28, 2005).
4.4.1	First Supplemental Indenture, dated as of December 8, 2005, by The Nasdaq Stock Market, Inc. to Law Debenture Trust Company of New York (previously filed with Nasdaq's Current report on Form 8-K, filed December 14, 2005).
4.4.2	Second Supplemental Indenture, dated as of November 9, 2006, among The Nasdaq Stock Market, Inc., The NASDAQ Stock Market LLC and Law Debenture Trust Company of New York, as trustee.
4.5	Amended and Restated Securityholders Agreement, dated as of April 22, 2005, among Norway Acquisition SPV, LLC, Hellman & Friedman Capital Partners IV, L.P., H&F Executive Fund IV, L.P., H&F International Partners IV-A, L.P., and H&F International Partners IV-B, L.P., Silver Lake Partners TSA, L.P., Silver Lake Investors, L.P., VAB Investors, LLC and Integral Capital Partners VI, L.P. (previously filed with Nasdaq's Current Report on Form 8-K, filed April 28, 2005).

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Exhibit Number	
4.6	Registration Rights Agreement, dated as of April 22, 2005, among The Nasdaq Stock Market, Inc., Hellman & Friedman Capital Partners IV, L.P. , H&F Executive Fund IV, L.P., H&F International Partners IV-A, L.P., and H&F International Partners IV-B, L.P., Silver Lake Partners TSA, L.P., Silver Lake Investors, L.P., VAB Investors, LLC and Integral Capital Partners VI, L.P. (previously filed with Nasdaq's Current report on Form 8-K, filed April 28, 2005).
10.1	Board Compensation Policy, approved as of March 7, 2006 (previously filed with Nasdaq's Current Report on Form 8-K on March 14, 2006).*
10.2	Amended and Restated Executive Corporate Incentive Plan, dated as of February 18, 2004.*
10.3	Nasdaq 2000 Employee Stock Purchase Plan (previously filed with Nasdaq's Registration Statement on Form 10 (file number 000-32651) filed on April 30, 2001).*
10.4	Nasdaq Equity Incentive Plan (previously filed with Nasdaq's Registration Statement on Form 10 (file number 000-32651) filed on April 30, 2001).*
10.3.1	First Amendment to Nasdaq Equity Incentive Plan (previously filed with Nasdaq's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002, filed on August 14, 2002).*
10.3.2	Second Amendment to Nasdaq Equity Incentive Plan.*
10.3.3	Form of Nasdaq Non-Qualified Stock Option Agreement.*
10.3.4	Form of Nasdaq Restricted Stock Award Agreement (employees).*
10.3.5	Form of Nasdaq Restricted Stock Award Agreement (directors).*
10.4	Supplemental Executive Retirement Plan.*
10.5	Employment Agreement by and between Nasdaq and Robert Greifeld, effective as of January 1, 2007.*
10.6	Employment Letter from Nasdaq to David P. Warren, dated November 30, 2000 (previously filed with Nasdaq's Annual Report on Form 10-K for the year ended December 31, 2003, filed March 15, 2004).*
10.6.1	Revised Letter Agreement, effective as of March 23, 2005, between The Nasdaq Stock Market, Inc. and David P. Warren (previously filed with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed on May 10, 2005).*
10.7	Employment Agreement between Nasdaq and Edward Knight, effective as of December 29, 2000 Nasdaq (previously filed with Nasdaq's Annual Report on Form 10-K for the year ended December 31, 2002, filed March 31, 2003).*
10.7.1	First Amendment to Employment Agreement between Nasdaq and Edward Knight, effective February 1, 2002 Nasdaq (previously filed with Nasdaq's Annual Report on Form 10-K for the year ended December 31, 2002, filed March 31, 2003).*
10.8	Revised Letter Agreement, effective as of March 23, 2005, between The Nasdaq Stock Market, Inc. and Bruce Aust (previously filed with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed on May 10, 2005).*
10.9	Revised Letter Agreement, effective as of March 23, 2005, between The Nasdaq Stock Market, Inc. and Christopher Concannon (previously filed with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed on May 10, 2005).*
10.10	Letter Agreement, effective as of July 28, 2006, between The Nasdaq Stock Market, Inc. and Anna Ewing (previously filed with Nasdaq's Current Report on Form 8-K on August 3, 2006).*

Exhibit Number	
10.11	Revised Letter Agreement, effective as of March 23, 2005, between The Nasdaq Stock Market, Inc. and Adena Friedman (previously filed with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed on May 10, 2005).*
10.12	Revised Letter Agreement, effective as of March 23, 2005, between The Nasdaq Stock Market, Inc. and John L. Jacobs (previously filed with the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, filed on May 10, 2005).*
10.13	Regulatory Services Agreement, dated June 28, 2000, between NASD Regulation, Inc. and Nasdaq (previously filed with Nasdaq's Registration Statement on Form 10 (file number 000-32651) filed on April 30, 2001).**
10.14	Transitional System and Regulatory Services Agreement, dated as of December 20, 2006, by and between National Association of Securities Dealers, Inc. and The NASDAQ Stock Market LLC (previously filed with Nasdaq's Current Report on Form 8-K on December 21, 2006).
10.15	OTCBB and OTC Equities Revocation of Delegation and Asset Transfer and Services Agreement among The Nasdaq Stock Market, Inc. and National Association of Securities Dealers, Inc., executed September 2, 2005 (previously filed with Nasdaq's Current Report on Form 8-K, filed September 9, 2005).
10.16	Contract of Sale, dated as of June 10, 2005, between The Nasdaq Stock Market, Inc. and National Association of Securities Dealers, Inc. (previously filed with Nasdaq's Current Report on Form 8-K, filed June 16, 2005).
10.17	Agreement and Plan of Merger, dated as of April 22, 2005, by and among The Nasdaq Stock Market, Inc., Norway Acquisitions Corp. and Instinet Group Incorporated (previously filed with Nasdaq's Current Report on Form 8-K, filed April 28, 2005).
10.18	Transaction Agreement, dated as of April 22, 2005, by and among The Nasdaq Stock Market, Inc., Norway Acquisitions Corp. and Iceland Acquisition Corp. (previously filed with Nasdaq's Current Report on Form 8-K, filed April 28, 2005).
10.18.1	Amendment to the Transaction Agreement , dated as of December 8, 2005, by and among The Nasdaq Stock Market, Inc. and Iceland Acquisition Corp. (previously filed with Nasdaq's Current Report on Form 8-K, filed on December 14, 2005).
10.19	Guarantee Agreement, dated as of April 22, 2005, by and among The Nasdaq Stock Market, Inc., Norway Acquisition SPV, LLC and JPMorgan Chase Bank, N.A., as administrative agent (previously filed with Nasdaq's Current Report on Form 8-K, filed April 28, 2005).
10.20	Transition Services Agreement, dated as of December 8, 2005, by and among The Nasdaq Stock Market, Inc., Instinet Holdings Incorporated f/k/a Iceland Acquisition Corp., and Norway Acquisition Corp. f/k/a Instinet Group (previously filed with Nasdaq's Current Report on Form 8-K, filed December 14, 2005).
10.21	License Agreement, dated as of December 8, 2005, by and between Instinet Holdings Incorporated f/k/a Iceland Acquisition Corp. and Norway Acquisition Corp. f/k/a Instinet Group Incorporated (previously filed with Nasdaq's Current Report on Form 8-K, filed December 14, 2005).
10.22	Brace Assignment and Support Agreement, dated as of December 8, 2005, by and between The Nasdaq Stock Market, Inc., Instinet Clearing Services, Inc. and INET ATS, Inc. (previously filed with Nasdaq's Current Report on Form 8-K, filed December 14, 2005).
10.23	Co-Location Agreement, dated as of December 8, 2005, by and between The Nasdaq Stock Market, Inc., Instinet Holdings Incorporated, f/k/a Iceland Acquisition Corp. and Norway Acquisition Corp. f/k/a Instinet Group Incorporated (previously filed with Nasdaq's Current Report on Form 8-K, filed December 14, 2005).

Exhibit Number	
10.24	Amendment No. 1 to Fully Disclosed Clearing Agreement, dated as of December 8, 2005, between Instinet Clearing Services, Inc. and INET ATS, Inc. (previously filed with Nasdaq's Current Report on Form 8-K, filed December 14, 2005).
10.25	Credit Agreement, dated as of December 8, 2005, among The Nasdaq Stock Market, Inc. and the other parties thereto (previously filed with Nasdaq's Current Report on Form 8-K, filed December 14, 2005).
10.26	Amended and Restated Credit Agreement, dated as of May 19, 2006 among The Nasdaq Stock Market, Inc. and the other parties thereto (previously filed with Nasdaq's Current Report on Form 8-K on May 24, 2006).
10.27	Amended and Restated Term Loan Credit Agreement, dated as of May 19, 2006, among The Nasdaq Stock Market, Inc., Nightingale Acquisition Limited and the other parties thereto (previously filed with Nasdaq's Current Report on Form 8-K on May 24, 2006).
10.28	Credit Agreement, dated as of November 20, 2006, among The Nasdaq Stock Market, Inc. and the other parties thereto (previously filed with Nasdaq's Current Report on Form 8-K on November 27, 2006).
10.29	Term Loan Credit Agreement, dated as of November 20, 2006, among The Nasdaq Stock Market, Inc. and the other parties thereto (previously filed with Nasdaq's Current Report on Form 8-K on November 27, 2006).
10.30	Bridge Loan Agreement, dated as of November 20, 2006, among The Nasdaq Stock Market, Inc. and the other parties thereto (previously filed with Nasdaq's Current Report on Form 8-K on November 27, 2006).
10.31	Purchase Agreement, dated as of November 20, 2006, among The Nasdaq Stock Market, Inc., Banc of America Bridge, LLC and Dresdner Kleinwort Securities LLC (previously filed with Nasdaq's Current Report on Form 8-K on November 27, 2006).
10.32	Incremental Facility Amendment, dated as of November 20, 2006, among The Nasdaq Stock Market, Inc and the other parties thereto (previously filed with Nasdaq's Current Report on Form 8-K on November 27, 2006).
11	Statement regarding computation of per share earnings (incorporated herein by reference from Note 15 to the consolidated financial statements under Part II, Item 8 of this Form 10-K).
12.1	Computation of Ratio of Earnings to Fixed Charges.
21.1	List of all subsidiaries.
23.1	Consent of Ernst & Young.
24.1	Powers of Attorney.
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley").
31.2	Certification of Executive Vice President and Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley.
32.1	Certifications Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley.

* Management contract or compensatory plan or arrangement.
** Confidential treatment has been requested from the U.S. Securities and Exchange Commission for certain portions of this exhibit.

Exhibit 4.4.2

THE NADAQ STOCK MARKET, INC.

THE NADAQ STOCK MARKET, LLC

TO

LAW DEBENTURE TRUST COMPANY OF NEW YORK,

As Trustee

SECOND SUPPLEMENTAL INDENTURE

Dated as of

November 9, 2006

TO

INDENTURE

Dated as of

April 22, 2005

---

3. 75% Convertible Notes due 2012

SECOND SUPPLEMENTAL INDENTURE

THIS SECOND SUPPLEMENTAL INDENTURE (the " Supplemental Indenture "), dated as of November 9, 2006, between The Nasdaq Stock Market, Inc., a Delaware corporation (hereinafter called " Nasdaq Inc ."), The Nasdaq Stock Market, LLC, a Delaware limited liability company (hereinafter called " Nasdaq LLC "), each having its principal office at One Liberty Plaza, New York, NY 10006, and Law Debenture Trust Company of New York, as trustee under the Original Indenture hereinafter referred to (hereinafter called the " Trustee ").

WITNESSETH

WHEREAS, Nasdaq Inc. has heretofore executed and delivered an indenture, dated as of April 22, 2005 (the " Original Indenture "), between Nasdaq Inc. and the Trustee, pursuant to which Nasdaq Inc. has issued $205,000,000 aggregate principal amount of its 3.75% Series A Convertible Notes due 2012 (the " Series A Notes ") and $240,000,000 aggregate principal amount of its 3.75% Series B Convertible Notes due 2012 (the " Series B Notes ", and together with the Series A Notes, the " Notes ");

WHEREAS, Nasdaq Inc. has entered into the First Supplemental Indenture dated as of December 8, 2005;

WHEREAS, Nasdaq Inc. and Nasdaq LLC have previously entered into an Assignment and Assumption Agreement pursuant to which certain assets and liabilities of Nasdaq Inc. were transferred from Nasdaq Inc. to the Nasdaq LLC;

WHEREAS, the Board of Directors and stockholders of Nasdaq Inc. have approved a transfer of the assets of Nasdaq Inc. substantially as an entirety to Nasdaq LLC, pursuant to the Contribution and Admission Agreement dated November 9, 2006 (the " Contribution Agreement ") to be consummated on the date hereof (the " Assignment ");

WHEREAS, Section 12.01 of the Original Indenture, provides, *inter alia* , that Nasdaq Inc. shall not sell, convey, transfer or lease the property and assets of Nasdaq Inc. substantially as an entirety to any other Person unless the resulting, surviving or transferee Person assumes all obligations of Nasdaq Inc. under the Notes, the Indenture and the Registration Rights Agreement as in said Section 12.01 provided;

WHEREAS, Nasdaq LLC, by entering into this supplemental indenture, has agreed to assume all the obligations of Nasdaq Inc. under the Notes, the Indenture and the Registration Rights Agreement (the " Assumption ");

WHEREAS, Nasdaq Inc. wishes to become a guarantor (in such capacity, the " Guarantor "), on a subordinated basis, of the obligations of Nasdaq LLC under the Indenture and the Notes and enter into an indenture supplemental to the Indenture providing for such guarantee (the " Subordinated Guarantee ");

WHEREAS, Section 11.01(b) of the Original Indenture provides that the Company and the Trustee may enter into indentures supplemental thereto to evidence the assumption by a successor Person of the obligations of the Company pursuant to Article 12 of the Indenture;

WHEREAS, Section 11.01(c) of the Original Indenture provides that the Company and the Trustee may enter into indentures supplemental thereto to add guarantees or guarantors with respect to the Notes;

WHEREAS, Nasdaq Inc. and Nasdaq LLC have each delivered to the Trustee resolutions of their respective Boards of Directors authorizing the execution and delivery of this Supplemental Indenture; and

WHEREAS, all conditions precedent related to this Supplemental Indenture have been satisfied.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Nasdaq Inc., Nasdaq LLC and the Trustee for the benefit of each other and for the benefit of the holders of the Notes agree as follows:

ARTICLE 1

DEFINITIONS

Terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Original Indenture.

ARTICLE 2

ASSIGNMENT AND ASSUMPTION

Effective immediately upon the consummation of the Assignment, Nasdaq LLC hereby assumes all obligations of Nasdaq Inc. under the Notes, the Indenture and the Registration Rights Agreement, including (but not limited to) the due and punctual payment of the Principal Amount of an Interest on all of the Notes and the due and punctual performance of all of the covenants and conditions of the Indenture to be performed or satisfied by Nasdaq Inc.

ARTICLE 3

SUBORDINATED GUARANTEE

Section 3.01 Guarantee .

Immediately subsequent to the consummation of the Assignment and Assumption described in Article 2 hereof, and subject to the provisions of this Article 3, Nasdaq Inc., as Guarantor, hereby unconditionally guarantees to each holder of a Note that the principal of and interest on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and all other obligations of Nasdaq LLC to the holders of the Notes and the Trustee hereunder, thereunder and under the Indenture will be promptly paid in full or performed, as the case may be, all in accordance with the terms hereof and thereof; and failing payment when due of any amount so guaranteed or any performance so guaranteed, as the case may be, for whatever reason, the Guarantor will be obligated to pay or perform the same, as the case may be, immediately. The Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

The Guarantor hereby confirms that it is its intention that this guarantee of the Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to this Subordinated Guarantee. To effectuate the foregoing intention, the obligations of the Guarantor will be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of the Guarantor that are relevant under such laws, result in the obligations of the Guarantor under this Subordinated Guarantee not constituting a fraudulent transfer or conveyance.

Section 3.02 Subordinate of Guarantee . Payments under this Subordinated Guarantee shall be subordinated to the prior payment in full of all Guarantor Other Indebtedness (defined below) as follows:

No direct or indirect payment by or on behalf of Nasdaq Inc. under this Subordinated Guarantee with respect to any of the obligations on the Notes (a " Note Payment ") will be made, and no action against the Guarantor may be brought, if, at the time of such payment or the bringing of such action, there exists a default in the payment in cash of all or any portion of the principal of, or interest, if any, on any Guarantor Other Indebtedness when due, or any Guarantor Other Indebtedness has been accelerated, and such default shall not have been cured or waived in writing or the benefits of this sentence waived in writing by or on behalf of the holders of such Guarantor Other Indebtedness. In addition, during the continuance of any non-payment event of default with respect to any Guarantor Other Indebtedness, and upon receipt by a Responsible Officer of the Trustee at the Corporate Trust Office of the Trustee of written notice, referring to the Indenture and entitled "Payment Blockage Notice" (a "Payment Blockage Notice"), from the holder or holders of any Guarantor Other Indebtedness, then, unless and until such event of default has been cured or waived in writing or has ceased to exist or any Guarantor Other Indebtedness has been discharged or repaid in full in cash (or such payment

shall be duly provided for in a manner satisfactory to holders of any Guarantor Other Indebtedness) or otherwise to the extent holders of any Guarantor Other Indebtedness in their sole discretion accept satisfaction of amounts due by settlement in other than cash or the benefits of these provisions have been waived in writing by the holders of any Guarantor Other Indebtedness, no Note Payment will be made to such holders during a period (a " Payment Blockage Period ") commencing on the date of such receipt of the Payment Blockage Notice by a Responsible Officer of the Trustee and ending 364 days thereafter. The Trustee shall deliver a copy of the Payment Blockage Notice to Nasdaq Inc. as soon as reasonably practicable after receipt thereof. In the event that, notwithstanding the foregoing, any Note Payment shall be received by the Trustee at a time when such payment is prohibited hereunder, such Note Payment shall be received and held in trust for the benefit of, and shall be paid over or delivered to, the holders of any Guarantor Other Indebtedness, as their respective interests may appear.

Upon any payment or distribution of assets or securities of Nasdaq Inc. of any kind or character, whether in cash, property or securities, to the creditors of Nasdaq Inc. upon any dissolution or winding-up or total or partial liquidation or reorganization of Nasdaq Inc., whether voluntary or involutary, or in bankruptcy, insolvency, receivership or other similar proceedings relating to Nasdaq Inc., any assignment for the benefit of creditors or any marshalling of Nasdaq Inc.'s assets and liabilities, the holders of Guarantor Other Indebtedness shall be entitled to receive payment in full in cash of all obligations due in respect of such Guarantor Other Indebtedness or have provision made for such payment in a manner acceptable to holders of Guarantor Other Indebtedness, before the holders of the Notes or the Trustee on behalf of such holders shall be entitled to bring any action against Nasdaq Inc. with respect to this Subordinated Guarantee.

In the event that, notwithstanding the foregoing provision prohibiting such payment or distribution, any payment or distribution of assets or securities of Nasdaq Inc. of any kind or character, whether in cash, property or securities in respect of the principal, or interest on the Notes, shall be received by the Trustee or any Paying Agent or any holder of Notes at a time when such payment or distribution is prohibited by this Subordinated Guarantee such payment or distribution shall be received and held in trust for the benefit of, and shall be paid over or delivered to, the holders of Guarantor Other Indebtedness, as their respective interests may appear, for application to the payment of all obligations in respect of such Guarantor Other Indebtedness remaining unpaid until all obligations in respect of such Guarantor Other Indebtedness have been paid in full in cash (or such payment shall be duly provided for in a manner satisfactory to the holders of such Guarantor Other Indebtedness) or otherwise to the extent holders of such Guarantor Other Indebtedness in their sole discretion accept satisfaction of amounts due by settlement in other than cash after giving effect to any prior or concurrent payment, distribution or provision therefor to or for the holders of such Guarantor Other Indebtedness.

Nasdaq Inc. shall give prompt written notice to the Trustee of any fact known to Nasdaq Inc. which would prohibit the making of any payment or distribution to or by the Trustee in respect of the Notes pursuant to the provisions of this Subordinated Guarantee. The Trustee shall not be charged with knowledge of the existence of any default or event of default with respect to Guarantor Other Indebtedness or of any other facts which would prohibit the making

of any payment or distribution to or by the Trustee unless and until a Responsible Officer of the Trustee shall have received notice in writing at its Corporate Trust Officer to that effect signed by an Officer of Nasdaq Inc., or by a holder of Guarantor Other Indebtedness or agent therefor; and prior to the receipt of any such written notice, the Trustee shall be entitled to conclusively assume that no such facts exist; provided, however, that if the Trustee shall not have received such notice at least two Business Days prior to the date upon which by the terms of the Subordinated Guarantee any moneys shall become payable to any Noteholder for any purpose (including, without limitation, the payment of the principal of or interest on any Note), then, regardless of anything herein to the contrary, the Trustee shall have full power and authority to receive any moneys from Nasdaq Inc. and to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such prior date. The Trustee shall be entitled to conclusively rely on the delivery to it of a written notice by a Person representing himself or itself to be a holder of Guarantor Other Indebtedness (or a trustee on behalf of, or agent or other representative of, such holder) to establish that such notice has been given by a holder of Guarantor Other Indebtedness or a trustee or agent or representative on behalf of any such holder. A holder of Guarantor Other Indebtedness and any agent on behalf of such holder shall be entitled to deliver all notices required by this Subordinated Guarantee to the address of the Trustee set forth in or pursuant to Section 17.03 of the Indenture. In the event that the Trustee determines in good faith that any evidence is required with respect to the right of any Person as a holder of Guarantor Other Indebtedness to participate in any payment or distribution pursuant to this Subordinated Guarantee, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Guarantor Other Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Subordinated Guarantee, and if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment. No right of any present or future holders of Guarantor Other Indebtedness to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of Nasdaq Inc. or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by Nasdaq Inc. with the terms of the Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with. The provisions of this Subordinated Guarantee are intended to be for the benefit of, and shall be enforceable directly by, the holders of Guarantor Other Indebtedness.

Holders of Guarantor Other Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the holders of the Notes, without incurring responsibility to the holders of the Notes and without impairing or releasing the subordination provided in this Subordinated Guarantee or the obligations hereunder of the holders of the Notes to the holders of Guarantor Other Indebtedness, do any one or more of the following: (a) change the manner or place or time of payment of Guarantor Other Indebtedness or amend, supplement or otherwise modify any instrument evidencing the same or any agreement under which Guarantor Other Indebtedness is outstanding, guaranteed or secured; (b) sell, exchange, release or otherwise deal with any property pledge, mortgaged or otherwise securing Guarantor Other Indebtedness ; (c) release any Person liable in any manner for the collection of Guarantor Other

Indebtedness; and (d) exercise or refrain from exercising any rights against Nasdaq Inc. and any other Person.

" Guarantor Other Indebtedness " means, and without duplication, whether recourse is to all or a portion of the assets of the Guarantor and whether or not contingent, (i) all indebtedness, obligations and other liabilities of the Guarantor for borrowed money (including obligations of the Guarantor in respect of overdrafts, foreign exchange contracts, currency exchange agreements, interest rate protection agreements, and any loans or advances from banks, whether or not evidenced by notes or similar instruments) or evidenced by bonds, debentures, notes or similar instruments, other than any account payable or other accrued current liability or obligation incurred in the ordinary course of business in connection with the obtaining of materials or services; (ii) all reimbursement obligations and other liabilities of the Company with respect to letters of credit, bank guarantees or bankers' acceptances; (iii) all obligations and liabilities in respect of leases of the Guarantor required, in conformity with generally accepted accounting principles, to be accounted for as capitalized lease obligations on the balance sheet of the Guarantor and all obligations and other liabilities under any lease or related document (including a purchase agreement) in connection with the lease of real property which provides that the Guarantor is contractually obligated to purchase or cause a third party to purchase the leased property and thereby guarantee a minimum residual value of the leased property to the lessor and the obligations of the Guarantor under such lease or related document to purchase or to cause a third party to purchase such leased property; (iv) all net obligations of the Guarantor with respect to an interest rate or other swap, cap or collar agreement or other similar instrument or agreement or foreign currency hedge, exchange, purchase or similar instrument or agreement; (v) all direct or indirect guaranties or similar agreements by the Guarantor in respect of, and obligations or liabilities of the Guarantor to purchase or otherwise acquire or otherwise assure a creditor against loss in respect of, indebtedness, obligations or liabilities of another Person of the kind described in clauses (i) through (iv); (vi) any indebtedness or other obligations described in clauses (i) through (v) secured by any mortgage, pledge, lien or other encumbrance existing on property which is owned or held by the Guarantor, regardless of whether the indebtedness or other obligation secured thereby shall have been assumed by the Guarantor; (vii) all other indebtedness or other obligations designated by Guarantor as "Guarantor Other Indebtedness" and (viii) any and all deferrals, supplements to, any indebtedness, obligation or liability of the kind described in clauses (i) through (vi); and for avoidance of doubt, Guarantor Other Indebtedness shall not include this Subordinated Guarantee.

With respect to the holders of Guarantor Other Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article 3, and no implied covenants or obligations with respect to the holders of Guarantor Other Indebtedness shall be read into this Supplemental Indenture or the Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Guarantor Other Indebtedness. The Trustee shall not be liable to any holders of Guarantor Other Indebtedness if the Trustee shall pay over or distribute to or on behalf of holders of Notes or to Nasdaq Inc. or to any Person, cash, property or securities to which any holders of Guarantor Other Indebtedness shall be entitled by virtue of this Article 3 or otherwise. The subordination provisions of this Article 3 shall not apply to the Subordinated Guarantee of

Nasdaq Inc. with respect to amounts due to the Trustee, or the rights of the Trustee to indemnification, pursuant to any provisions of the Indenture.

ARTICLE 4

EFFECTIVENESS OF AMENDMENT

Upon the execution and delivery of this Supplemental Indenture by each of Nasdaq Inc., Nasdaq LLC and the Trustee, this Supplemental Indenture shall become effective and the Indenture shall be amended and supplemented in accordance herewith, and the rights of the holders of the Notes modified hereby, and this Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes authenticated and delivered under the Indenture shall be bound hereby.

ARTICLE 5

MISCELLANEOUS

Section 5.01 Execution as Supplemental Indenture . This Supplemental Indenture is executed and shall be construed as an indenture supplemental to the Indenture and, as provided in the Indenture, this Supplemental Indenture forms a part of thereof. Except as herein expressly otherwise defined, the use of the terms and expressions herein is in accordance with the definitions, uses and constructions contained in the Indenture.

Section 5.02 No Other Amendments . Except as expressly amended hereby, the Indenture shall continue in full force and effect in accordance with the provisions hereof.

Section 5.03 Trustee . The recitals contained herein are those of Nasdaq Inc. and Nasdaq LLC and not the Trustee, and the Trustee assumes no responsibility for the correctness of same. The Trustee makes no representations as to the validity or sufficiency of this Supplemental Indenture. All rights, protections, privileges, indemnities and benefits granted or afforded to the Trustee under the Indenture shall be deemed incorporated herein by this reference and shall be deemed applicable to all actions taken, suffered or omitted by the Trustee under this Supplemental Indenture.

Section 5.04 Provisions Binding on the Company's Successors . Any covenants and agreements contained in this Supplemental Indenture made by Nasdaq Inc. and Nasdaq LLC shall bind their successors and assigns whether so expressed or not.

Section 5.05 Governing Law . This Supplemental Indenture shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of the State of New York (including Section 5-1401 of the New York General Obligations Law or any successor to such statue).

Section 5.06 Execution and Counterparts . This Supplemental Indenture may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

Section 5.07 Headings . The article and section headings herein are for convenience only and shall not affect the construction hereof.

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first written above.

THE NASDAQ STOCK MARKET, INC.

By: /s/ Ronald Hassen
Name: Ronald Hassen
Title: Senior Vice President & Controller

THE NASDAQ STOCK MARKET LLC

By: /s/ Ronald Hassen
Name: Ronald Hassen
Title: Senior Vice President & Controller

LAW DEBENTURE TRUST COMPANY OF NEW YORK, as Trustee

By: /s/ Daniel R. Fisher
Name: Daniel R. Fisher
Title: Senior Vice President

Exhibit 10.2

Executive Corporate Incentive Plan

The NASDAQ Stock Market, Inc.

(Effective January 1, 2003)

Amended and Restated as of February 18, 2004

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The NASDAQ Stock Market, Inc.
Executive Corporate Incentive Plan

Article 1 Establishment and Purpose

1.1 Establishment of the Plan . The NASDAQ Stock Market, Inc., a Delaware corporation (the "Company" or "NASDAQ"), hereby establishes The Nasdaq Stock Market, Inc. Executive Corporate Incentive Plan (the "ECIP"). Upon approval by the Board of Directors, the ECIP shall be effective as of January 1, 2003 (the "Effective Date") and shall remain in effect until terminated by the Board.

1.2 Shareholder Approval . Notwithstanding anything herein to the contrary, the ECIP shall be null and void if it is not approved, in a separate affirmative vote of the holders of at least a majority of the shares of the common stock of the Company cast, in person or by proxy, at the first shareholders meeting to occur in 2003.

1.3 Purpose . The purpose of the ECIP is to attract, retain, and motivate key executives by providing cash incentive awards to designated executives of the Company, Subsidiaries, and affiliates. The ECIP is designed to further link an executive's interests with that of Nasdaq's shareholders. The ECIP is intended to provide annual incentives, contingent upon continued employment and meeting certain Company and individual business unit performance goals, to certain key executives who make substantial contributions to the Company. The ECIP also provides that Awards reflect individual performance, subject to Article 5. Awards paid under the ECIP are intended to qualify as performance-based compensation deductible by the Company under the qualified performance based exception to Section 162(m) of the Code.

Article 2 Definitions

As used in the ECIP, the following terms shall have the meanings set forth below:

2.1 "Award" means the actual award earned during a Plan Year by a Participant, as determined by the Committee following the end of the Plan Year.

2.2 "Board" means the Board of Directors of the Company.

2.3 "Cause" means, unless otherwise defined in an employment agreement between the Participant and the Company, (i) the engaging by the Participant in willful misconduct that is injurious to the Company or its affiliates, (ii) the embezzlement or misappropriation of funds or property of the Company or its affiliates by the Participant, or the conviction of the Participant of a felony or the entrance of a plea of guilty or nolo contendere by the Participant to a felony, (iii) the willful failure or refusal by the Participant to substantially perform his or her duties or responsibilities that continues after being brought to the attention of the Participant (other than any such failure resulting from the Participant's incapacity due to Disability), or (iv) the violation by the Participant of any restrictive covenants entered into between the Participant and the Company or the Company's Code of Conduct.

2.4 "Code" means the Internal Revenue Code of 1986, as amended, and any final treasury regulations promulgated thereunder.

2.5 "Committee" means the Management Compensation Committee of the Board, which Committee has been designated by the Board to among other things, administer the ECIP. Each member of the Committee to the extent necessary to comply with Section 16 of the Securities Exchange Act of 1934, as amended and Section 162(m) of the Code shall be a "Non-Employee Director" and an "Outside Director" within the meaning of Section 16 and Section 162(m) of the Code, respectively.

2.6 "Company" means The Nasdaq Stock Market, Inc., a Delaware corporation (including any Subsidiaries designated to participate in the ECIP), and any successor thereto.

2.7 "Disability" means, unless otherwise defined in an employment agreement between the Participant and the Company, a disability that would qualify as such under the Company's then current long-term disability plan.

2.8 "Individual Target Award" means the target award established for each Participant under Article 5 of the ECIP.

2.9 "Participant" means an active employee of the Company, or Subsidiaries, who is employed in an executive capacity, and designated by the Committee to participate in the ECIP during a Plan Year.

2.10 "Payment Date" means the date upon which an Award shall be paid out in accordance with Article 6.

2.11 "Performance Goals" means the goals selected by the Committee for any Plan Year based upon one or more of the Performance Measures, set forth in Article 5 of the ECIP.

2.12 "Performance Measures" means, unless and until the Committee or Board proposes for shareholder vote and shareholders approve a change in the general Performance Measures set forth herein, the performance criteria upon which the Performance Goal(s) for a particular Plan Year are based; the performance criteria shall be limited to the following Performance Measures:

(a) Earnings per Share of Nasdaq Common Stock;

(b) Revenue growth;

(c) Net income or net profits (before or after taxes);

(d) Return measures (including, but not limited to, return on assets or net assets, capital, equity, or sales);

(e) Cash flow (including, but not limited to, operating cash flow and free cash flow);

(f) Expense targets;

(g) Planning accuracy (as measured by comparing planned results to actual results);

(h) Market share

(i) Corporate reputation

(j) Business Effectiveness Survey Results

(k) Performance Measure (a) through (j) above as compared to various stock market indices; and

(l) Any Performance Measure in (a) through (j) above as compared to the performance of other companies.

Any Performance Measure(s) may be used to measure the performance of the Company as a whole or any business unit of the Company individually.

2.13 "Plan Year" means the Company's fiscal year, which commences each January 1 st and concludes each December 31 st .

2.14 "Retirement" means, unless otherwise defined in an employment agreement between the Participant and the Company, a Participant who is eligible to retire from the Company or an Affiliate under the terms of any tax qualified Company retirement plan or, if a Participant is not covered by any such plan, retirement on or after such date as of which the Participant has both attained the age of 55 years and has 10 years of employment with the Company and terminates his employment with the Company other than for Cause or death.

2.15 "Subsidiary" shall have the meaning set forth in Section 424(f) of the Code.

Article 3 Administration

3.1 The Plan Administrator . The Committee shall administer the ECIP.

3.2 Administration of the ECIP . The Committee, in its sole discretion, will determine eligibility for participation, establish the maximum Award which may be earned by each Participant (which may be expressed in terms of dollar amount, percentage of salary or any other measurement), establish goals for each Participant (which may be objective or subjective, and based on individual, Company, Subsidiary and/or business unit performance), calculate and determine each Participant's level of attainment of such goals, and calculate the Award for each Participant based upon such level of attainment. Except as otherwise herein expressly provided, full power and authority to construe, interpret, and administer the Plan shall be vested in the Committee, including the power to amend or terminate the Plan as further described herein. The Committee may at any time adopt such rules, regulations, policies, or practices, as, in its sole discretion, it shall determine to be necessary or appropriate for the administration of, or the performance of its respective responsibilities under, the Plan. The Committee may at any time amend, modify, suspend, or terminate such rules, regulations, policies, or practices.

3.3 Decisions Binding . All determinations and decisions of the Committee as to any disputed question arising under the ECIP, including questions of construction and interpretation, shall be final, binding, and conclusive upon all parties.

3.4 No Liability to Committee Members . No member of the Committee shall be personally liable by reason of any contract or other instrument related to the ECIP executed by

such member or on his or her behalf in his or her capacity as a member of the Committee, nor for any mistake of judgment made in good faith, and the Company shall indemnify and hold harmless each employee, officer, or director of the Company to whom any duty or power relating to the administration or interpretation of the ECIP may be allocated or delegated, against any cost or expense (including legal fees, disbursements and other related charges) or liability (including any sum paid in settlement of a claim with the approval of the Board) arising out of any act or omission to act in connection with the ECIP unless arising out of such person's own fraud or bad faith.

3.4.1 The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

Article 4 Eligibility and Participation

4.1 Eligibility . Only active employees of the Company, its participating Subsidiaries, or affiliates who are employed in an executive capacity may participate in the ECIP and receive Awards hereunder.

4.2 Participation . Only individuals who are chosen and designated by the Committee to participate in the ECIP in any given Plan Year may participate in the ECIP for that Plan Year. The Chief Executive Officer (CEO) of the Company, and such other persons as the CEO may designate, shall recommend to the Committee employees (who may include such recommending person) for selection as Participants. Such designated employees shall be so notified in writing or via electronic communication, as soon as is practicable after selection. The Committee may add to or delete individuals from the list of designated Participants at any time and from time to time, at its sole discretion.

4.3 No Right to Participate . No Participant shall at any time have a right to be selected for participation in the ECIP for any Plan Year, despite having previously participated in the ECIP.

Article 5 Award Determination

5.1 Targets, In General . At the beginning of each Plan Year, but not later than the 89 th day of the Plan Year, the Committee shall establish Individual Target Awards for each Participant, payment of which shall be conditioned upon satisfaction of specific Performance Goals for the Plan Year established by the Committee in writing in advance of the Plan Year, or within such period as may be permitted by regulations issued under Section 162(m) of the Code. The payment of an Award, if any shall be based upon the degree of achievement of the Performance Goals; provided , however , that the Committee may, in its sole discretion, reduce some or all of the amount which would otherwise be payable with respect to an Award.

5.2 Performance Goals . The Performance Goals established by the Committee for a Plan Year shall be based on one or more Performance Measures.

5.2.1 The Committee may provide in any Award that any evaluation of performance may include or exclude any one or more of the following events that occur during a Plan Year: (a) write downs; (b) significant litigation or claim judgments or settlements; (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported Company results; (d) accruals for reorganization and restructuring programs; (e) extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or management's discussion and analysis of stockholders for the applicable plans year; (f) acquisitions or divestures; and (g) foreign exchange gains and losses. Such inclusion or exclusion shall be prescribed in a form that meets the requirements of Code Section 162(m) for deductibility.

5.2.2 In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval.

5.3 Payment of Awards. At the time the Performance Goals are established, the Committee shall prescribe a formula to determine the percentage of the Individual Target Award, which may be payable based upon the degree of attainment of the Performance Goals during the Plan Year. If the minimum Performance Goals established by the Committee are not met, no payment will be made to any Participant. To the extent that the minimum Performance Goals are satisfied or surpassed, and upon written certification by the Committee that the Performance Goals have been satisfied to a particular extent, payment of the Award shall be made in accordance with the prescribed formula based upon a percentage of the Individual Target Award unless the Committee determines, in its sole discretion, to reduce the payment to be made.

5.4 Maximum Award . The maximum award payable to any Participant for any Plan Year shall not exceed the greater of 3% of the Company's before tax net income or $3 million.

Article 6 Payment of Awards

6.1 Form and Timing of Payment . Each Participant's Award shall be paid in one (1) lump sum cash payment, no later than March 1 st of the Plan Year following the Plan Year with respect to which an Award relates (such date being hereinafter referred to as the "Payment Date").

6.2 Unsecured Interest . No Participant or any other party claiming an interest in amounts earned under the ECIP shall have any interest whatsoever in any specific asset of the Company. To the extent that any party acquires a right to receive payments under the ECIP, such right shall be equivalent to that of an unsecured general creditor of the Company.

6.3 Active Employment . Except as provided in Article 7, no Award shall be paid to any Participant who is not an active employee of the Company or one of its Subsidiaries or affiliates on the last day of the applicable Plan Year and on the Payment Date, as such term is defined in Section 6.1 hereof.

Article 7 Termination of Employment

7.1 Termination of Employment Due to Death, Disability, or Retirement . In the event a Participant's employment is terminated by reason of death, Disability, or Retirement, the Award determined in accordance with Section 5.3 herein shall be reduced to reflect partial Plan Year participation through the date of such termination. A reduced Award shall be determined by multiplying said Award by a fraction: the numerator of which shall be the number of days of employment in the Plan Year through the date of employment termination, and the denominator of which shall be three hundred sixty-five (365). In the case of a Participant's Disability, the employment termination shall be deemed to have occurred on the date that the Committee determines the Participant to be Disabled. The reduced Award thus determined shall be paid on the Payment Date with respect to the Plan Year, as to which such Award relates to the Participant or his beneficiary in accordance with Article 9 hereof.

7.2 Termination of Employment for Other Reasons . In the event a Participant's employment is terminated for any reason other than death, Disability, or Retirement all of the Participant's rights to an Award for the Plan Year then in progress shall be forfeited. However, the Committee, in its sole discretion, may pay a prorated Award for the portion of the Plan Year that the Participant was employed by the Company, computed as determined by the Committee. Notwithstanding the foregoing, in the event a Participant is terminated for Cause, the Participant shall in all events forfeit any Award not already paid.

Article 8 Rights of Participants

8.1 Employment . The Company intends that the Awards provided under the ECIP be a term of employment and a part of each Participant's compensation. Participation in the ECIP shall not constitute an agreement (a) of the Participant to remain in the employ of and to render his/her services to the Company, or (b) of the Company to continue to employ such Participant, and the Company may subject to any applicable employment agreement terminate the employment of a Participant at any time with or without cause.

8.2 Nontransferability . No right or interest of any Participant in the ECIP shall be assignable or transferable, or subject to any lien, directly, by operation of law or otherwise, including, but not limited to, execution, levy, garnishment, attachment, pledge, and bankruptcy.

Article 9 Beneficiary Designation and Payment to Persons Other Than the Participant

Each Participant under the ECIP may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the ECIP is to be paid in case of his death before he receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Committee during his lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

9.1 If the Committee shall find that any person to whom any amount is payable under the ECIP is unable to care for his affairs because of incapacity, illness or accident, or is a minor, or has died, then any payment due to such person or his estate (unless a prior claim therefore has been made by a duly appointed legal representative) may, if the Committee so directs, be paid to his spouse, a child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee, in its sole discretion, to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Company therefore.

Article 10 Amendments

The Committee may amend, suspend or terminate the ECIP at any time; provided that no amendment may be made without the approval of the Company's shareholders if the effect of such amendment would be to cause outstanding or pending Awards to cease to qualify for the performance-based compensation exception to Section 162(m) of the Code.

Article 11 Miscellaneous

11.1 Governing Law . The validity, construction, and effect of the ECIP and any rules and regulations relating to the ECIP and any Award shall be determined in accordance with the laws of the State of New York without giving effect to the conflict of law principles thereof.

11.2 Withholding Taxes . The Company shall deduct from all payments under the ECIP any Federal, state, local or other taxes required by law to be withheld with respect to such payments.

11.3 Gender and Number . Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular, and the singular shall include the plural.

11.4 Severability . In the event any provision of the ECIP shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the ECIP, and the ECIP shall be construed and enforced as if the illegal or invalid provision had not been included.

11.5 Costs of the Plan and Unfunded Plan . All costs of implementing and administering the ECIP shall be borne by the Company. Participants shall have no right, title, or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations under the ECIP. Nothing contained in the ECIP, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative or any other person. To the extent that any person acquires a right to receive payments from the Company under the ECIP, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan.

The ECIP is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended.

11.6 Retirement Plans and Welfare Benefit Plans . Except as specified in the employee benefit plan in question, Awards under the ECIP will not be included as "compensation" for purposes of the Company's retirement plans (both qualified and nonqualified) or welfare benefit plans.

11.7 Nonexclusivity . The adoption of the ECIP shall not be construed as creating any limitations on the power of the Board or Committee to adopt such other compensation arrangements, as it may deem desirable for any Participant.

11.8 Successors . All obligations of the Company under the ECIP with respect to Individual Target Awards and Awards granted hereunder shall be binding upon any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

11.9 Interpretation . The ECIP, the Individual Target Awards, and Awards are designed and, to the extent determined by the Committee, in its sole discretion, intended to comply with Code Section 162(m) and all provisions hereof, shall be construed in a manner to so comply.

Exhibit 10.3.2

Amendment to the Nasdaq Stock Market, Inc. Equity Incentive Plan

Effective December 13, 2006, the Nasdaq Stock Market, Inc. Equity Incentive Plan (the "Equity Plan") is amended as set forth below:

Section 2(l) of the Equity Plan is amended to read in its entirety:

"Fair Market Value" with respect to the Shares, as of any date, shall mean the closing sale price at the regular trading session reported for such Shares on The Nasdaq Stock Market on such date or, if no closing sale price is reported on such date, the closing sale price reported on the next succeeding date on which a closing sale price is reported."

Except as provided above, the Equity Plan shall remain in full force and effect.

Exhibit 10.3.3

Execution Copy

THE NASDAQ STOCK MARKET, INC.
NONQUALIFIED STOCK OPTION AGREEMENT

NONQUALIFIED STOCK OPTION AGREEMENT (the "Agreement") dated as of **«Grant_Date»** (the "Date of Grant"), between The Nasdaq Stock Market, Inc., a Delaware corporation (the "Company"), and **«Name»** (the "Optionee"):

R E C I T A L S :

The Company has adopted The Nasdaq Stock Market, Inc. Equity Incentive Plan (the "Plan"), which Plan is incorporated herein by reference and made a part of this Agreement. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Plan.

The Committee has determined that it is in the best interests of the Company and its shareholders to grant the options provided for herein to the Optionee pursuant to the Plan and the terms set forth herein as an increased incentive for the Optionee to contribute to the Company's future success and prosperity.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. Grant of the Option . Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Optionee options (the "Options") to purchase all or any part of an aggregate of **«M__Recommended_NonQualified_Stock_Option»** Shares at a purchase price of **$«Option_Price»** per share (the "Exercise Price"). The Options are intended to be Non-Qualified Stock Options and not Incentive Stock Options within the meaning of Section 422 of the Code.

2. Vesting . Subject to Sections 4 and 5 hereof, and contingent upon the Optionee's continued employment, **«Vesting Schedule»** . As used herein "vested" Options shall means those Options which (i) shall have become exercisable pursuant to the terms of this Agreement and (ii) shall not have been previously exercised.

3. Exercise of the Options .

(a) Subject to the provisions of the Plan and this Agreement (including Section 4 hereof), the Optionee may exercise all or a portion of the vested Options at any time prior to the tenth anniversary of the Date of Grant (the "Expiration Date"); provided that Options may be exercised with respect to whole Shares only; and provided further that Options may not be exercised at any one time as to fewer than 100 Shares (or such number of Shares as to which the Options are then exercisable if such number is less than 100). In no event shall the Options be exercisable on or after the Expiration Date.

(b) In accordance with Section 3(a) hereof, the Options may be exercised by delivering to the Company a notice of intent to exercise. The Optionee shall deliver such notice by such method (whether telephonic or written) as may be specified by the Committee from time to time. Such notice shall specify the number of Shares as to which the Options are being exercised and shall be accompanied by payment in full, or adequate provision therefor, of the Exercise Price and any applicable withholding tax. The payment of the Exercise Price shall be made (i) in cash, (ii) by certified check or bank draft payable to the order of the Company, (iii) by tendering Shares which have been owned by the Optionee for at least six months (and which are not subject to any pledge or other security interest), (iv) by having Shares with a Fair Market Value on the date of exercise equal to the Exercise Price sold by a broker-dealer or (v) by a combination of the foregoing, provided that the combined value of all cash and cash equivalents and the Fair Market Value of any such Shares so tendered to the Company as of the date of such tender or sold by a broker-dealer is at least equal to the Exercise Price. In the event that the broker-assisted cashless exercise procedure is elected, the Optionee shall be responsible for all broker fees. At the time of exercise of the Options, the Optionee shall pay such amount to the Company as the Company deems necessary to satisfy its obligation to withhold federal, state or local income or other taxes incurred by reason of such exercise or make such other arrangements as are acceptable to the Company, all in accordance with the provisions of Section 8 hereof.

(c) Notwithstanding any other provision of the Plan or this Agreement to the contrary, no Option may be exercised prior to the completion of any registration or qualification of such Shares under applicable state and federal securities or other laws, or under any ruling or regulation of any government body, national securities exchange, or inter-dealer market system that the Committee shall in its sole discretion determine to be necessary or advisable.

(d) Upon the Company's determination that an Option has been validly exercised as to any of the Shares, the registrar for the Company will make an entry on its books and records evidencing that such Shares have been duly issued as of that date; provided , however , that the Optionee may, in the alternative, elect in writing prior thereto to receive a stock certificate representing the full number of Shares acquired, which certificates may bear a restrictive legend prohibiting the transfer of such Shares until certain conditions are met. The Company shall not be liable to the Optionee for damages relating to any delays in issuing the certificates or in the certificates themselves.

4. Termination of Employment .

(a) If the Company terminates the Optionee's employment with the Company for Cause, unvested Options shall be deemed canceled and forfeited on the date of such termination of employment and vested Options, if any, shall remain exercisable for a period ending on the earlier of: (i) ten days following such termination of employment or (ii) the Expiration Date, and shall thereafter be deemed canceled and forfeited without further consideration to the Optionee.

(b) If the Optionee's employment with the Company terminates by reason of death or Disability, all Options that would have become vested on or before the first anniversary of the date of such termination shall vest on the date of such termination and the remaining unvested Options shall be deemed canceled and forfeited without further consideration to the Optionee. The vested Options (including those Options which vest in accordance with the provisions of this Section 4(b)) shall remain exercisable for a period ending on the earlier of: (i) one year following such termination of employment or (ii) the Expiration Date, and shall thereafter be deemed canceled and forfeited without further consideration to the Optionee, or his estate, as the case may be.

(c) If the Optionee's employment with the Company terminates (i) by reason of Retirement or (ii) involuntarily due to a reduction in force of the Company and the Optionee meets the age and service requirements for Retirement at the time of such termination, all Options that would have become vested on or before the first anniversary of the date of such termination on account of Retirement shall continue to vest as if such Optionee remained in the employ of the Company through the first anniversary of such termination and the remaining unvested Options shall be deemed canceled and forfeited without further consideration to the Optionee. The vested Options (including those Options which vest in accordance with the provisions of this Section 4(c)) shall remain exercisable for a period ending on the earlier of: (i) 370 days following such termination of employment or (ii) the Expiration Date, and shall thereafter be deemed canceled and forfeited without further consideration to the Optionee.

(d) If the Optionee's employment with the Company terminates for any reason other than those set forth in Sections (a) through (c) of this Section 4, unvested Options shall be deemed canceled and forfeited on the date of the Optionee's termination of employment without further consideration to the Optionee. Vested Options, if any, shall remain exercisable for a period ending on the earlier of: (i) 90 days following such termination of employment or (ii) the Expiration Date, and shall thereafter be deemed canceled and forfeited without further consideration to the Optionee.

5. Change in Control . Upon a Change in Control, all Options that would otherwise have become vested on or prior to the first anniversary of the Change in Control had the Optionee remained employed during such one-year period shall vest immediately, and become exercisable in accordance with their terms. In the event that the employment of the Optionee is terminated by the Company other than for Cause within the one-year period following the Change in Control, all unvested Options shall become vested and immediately exercisable in accordance with Section 4(d) hereof and their other applicable terms.

6. No Right to Continued Employment; No Rights as a Shareholder . Neither the Plan nor this Agreement shall confer on the Optionee any right to be retained in any position, as an employee, consultant or director of the Company. The Optionee shall not have any rights as a shareholder with respect to any Shares subject to an Option prior to the date of exercise of the Option.

7. Transferability .

(a) Except as provided below, the Options are nontransferable and may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Optionee, except by will or the laws of descent and distribution and upon any such transfer, by will or the laws of descent and distribution, the transferee shall hold such Options subject to all the terms and conditions that were applicable to the Options immediately prior to such transfer. Notwithstanding the foregoing, the Optionee may transfer vested Options to members of his or her immediate family (defined as his or her spouse, children or grandchildren) or to one or more trusts for the exclusive benefit of such immediate family members or partnerships in which such immediate family members are the only partners if the transfer is approved by the Committee and the Optionee does not receive any consideration for the transfer. Any such transferred Options shall continue to be subject to the same terms and conditions that were applicable to the Options immediately prior to transfer (except that such transferred Options shall not be further transferable by the transferee). No transfer of an Option shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of such evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee of the terms and conditions hereof.

(b) Upon any transfer by will or the laws of descent and distribution, such transferee shall take the Option Shares subject to all the terms and conditions that were applicable to the Option Shares immediately prior to such transfer. In order to comply with any applicable securities laws, the Optionee agrees that the Option Shares shall only be sold by the Optionee following registration under the Securities Act of 1933, as amended, or pursuant to an exemption therefrom.

8. Withholding . The Optionee agrees to make appropriate arrangements with the Company for satisfaction of any applicable federal, state, local or foreign tax withholding requirements or like requirements, including the payment to the Company at the time of any exercise of the Option of all such taxes and requirements, and the Company shall have the right and is hereby authorized to withhold from the Shares transferable to the Optionee upon any exercise of the Option or from any other compensation or other amount owing to the Optionee such amount (in cash, Shares (having a Fair Market Value not in excess of the minimum amount required by law to be withheld), or other property, as the case may be) as may be necessary in the opinion of the Company to satisfy all such taxes, requirements and withholding obligations.

9. Securities Laws . Upon the acquisition of any Shares pursuant to the exercise of the Option, the Optionee or the Optionee's transferee, if applicable, will make or enter into such written representations, warranties and agreements as the Company may reasonably request in order to comply with applicable securities laws, with this Agreement, or as the Committee otherwise deems necessary or advisable. The Committee may require that the Optionee, as a condition of the exercise of an Option, execute a stockholders agreement containing terms and conditions generally applicable to some or all of the stockholders of the Company.

10. Amendments . This Agreement may be amended or modified at any time by an instrument in writing signed by the parties hereto.

11. Notices . Any notice, request, instruction or other document given under this Agreement shall be in writing and may be delivered by such method as may be permitted by the Company, and shall be addressed and delivered, in the case of the Company, to the Secretary of the Company at the principal office of the Company and, in the case of the Optionee, to the Optionee's address as shown in the records of the Company or to such other address as may be designated in writing (or by such other method approved by the Company) by either party.

12. Option Subject to Plan; Amendments to the Agreement . This Agreement is subject to the Plan as approved by the shareholders of the Company. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of this Agreement will govern and prevail.

13. Severability . The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of the Agreement shall be severable and enforceable to the extent permitted by law.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement. By execution of this Agreement, the Optionee acknowledges receipt of a copy of the Plan.

The Nasdaq Stock Market, Inc.

Optionee (Print Name)

Optionee Signature

Equity Incentive Plan Beneficiary Designation Form

Use this form to add or change your dependent(s) and beneficiary(ies), regarding your stock options granted under the Equity Incentive Plan.

Name:	Employee Id:
Social Security #:	Location:

Check One: ☐ Add Dependent ☐ Change Dependent

Dependent Information:

Name	Relationship to You	Soc. Sec. #	Birth Date	Sex	

If you designate more than one beneficiary, indicate the percentage that you would like each beneficiary to receive. The total must equal 100%. If you do not indicate a percentage, your insurance amount will be divided equally among your beneficiary(ies).

Please note: If you become permanently disabled or die (as defined in the Plan Document), while still employed, any options that would vest within one year following the end of your employment, will vest on the you're your employment ends. You, your legal guardian, or beneficiary (or Estate) will then have the lesser of the remaining options term (expiration date) or one year from the date your disability or death to exercise your vested options. All other unvested options are forfeited.

Signature: Date:

Exhibit 10.3.4

Execution Copy

THE NASDAQ STOCK MARKET, INC.
RESTRICTED STOCK AWARD AGREEMENT

RESTRICTED STOCK AWARD AGREEMENT (the "Agreement") dated as of **«GrantDate»** (the "Date of Grant"), between The Nasdaq Stock Market, Inc., a Delaware corporation (the "Company"), **and «First» «Last»** (the "Participant"):

R E C I T A L S :

The Company has adopted The Nasdaq Stock Market, Inc. Equity Incentive Plan (the "Plan"), which Plan is incorporated herein by reference and made a part of this Agreement. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Plan.

The Committee has determined that it is in the best interests of the Company and its shareholders to grant the restricted stock award provided for herein to the Participant pursuant to the Plan and the terms set forth herein as an increased incentive for the Participant to contribute to the Company's future success and prosperity.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. Grant of the Restricted Shares .

(a) The Company hereby grants to the Participant an Award (the "Award") of **«RSAs»** Shares of restricted stock (the "Restricted Shares"), subject to the terms and conditions set forth in this Agreement and the Plan. Subject to Section 3 hereof, the Restricted Shares shall be registered in the name of the Participant on the stock transfer books of the Company. However, any certificates issued with respect to Restricted Shares shall be held by the Company in escrow under the terms hereof, provided, that, unless the Company determines otherwise, no such certificates shall be issued prior to the date determined under Section 6(b) hereof. Any such certificates shall bear the legend set forth in Section 1(b) below or such other appropriate legend as the Committee shall determine, which legend shall be removed only on and after the date determined under Section 6(b) and if and when the Restricted Shares have become vested Restricted Shares (as defined in Section 2(a) hereof). As a condition to the issuance of Shares pursuant to this Award, the Participant shall deliver to the Company stock powers substantially in the form annexed hereto as Exhibit A duly endorsed in blank. The Participant shall be entitled to vote all Restricted Shares, and shall be entitled to receive, free of all restrictions, ordinary cash dividends and dividends in the form of Shares thereon if any. The Participant's right to receive any extraordinary dividends or other distributions with respect to Restricted Shares prior to their becoming vested Restricted Shares shall be at the sole discretion of the Committee, but in the event of any such extraordinary dividends or distributions are paid to the holders of Company Shares, the

Committee shall take such action as may be appropriate to preserve the value of, and prevent the unintended enhancement of the value of, the Restricted Shares.

(b) Unless otherwise determined by the Committee, any certificate issued in respect of the Restricted Shares shall bear the following legend:

> "This certificate and the shares of stock represented hereby are subject to the terms and conditions, including forfeiture provisions and restrictions against transfer (the "Restrictions"), contained in The Nasdaq Stock Market, Inc. Equity Incentive Plan and an agreement entered into between the registered owner and The Nasdaq Stock Market, Inc. Any attempt to dispose of these shares in contravention of the applicable restrictions, including by way of sale, assignment, transfer, pledge, hypothecation or otherwise, shall be null, void and without effect."

2. Vesting .

(a) Except as otherwise provided in this Section 2 and Sections 3 and 4 hereof, and contingent upon the Participant's continued employment with the Company, **<<Vesting Schedule>>** . Any Restricted Shares that have become vested shall be referred to hereunder as "vested Restricted Shares."

(b) Notwithstanding any other provision of the Plan or this Agreement to the contrary, Restricted Shares (whether or not then vested) may not be transferred, assigned or otherwise encumbered other than in accordance with the applicable provisions of Section 6 hereof, prior to the completion of any registration or qualification of the Shares under applicable state and federal securities or other laws, or under any ruling or regulation of any government body, national securities exchange, or inter-dealer market system that the Committee shall in its sole discretion determine to be necessary or advisable.

3. Termination of Employment .

(a) If (i) the Company terminates the Participant's employment with the Company for Cause or (ii) the Participant voluntarily terminates his employment, all Restricted Shares which have not as of the date of such termination become vested Restricted Shares shall be canceled and forfeited effective as of the date of such termination without further consideration to the Participant.

(b) If the Participant's employment with the Company terminates by reason of death, Disability or Retirement, all Restricted Shares that would have become vested on or before the first anniversary of the date of such termination (had the Participant continued in the employ of the Company) shall vest on the date of such termination and the remaining unvested Restricted Shares shall be canceled and forfeited without further consideration to the Participant.

(c) If the Participant's employment with the Company terminates for any reason prior to the termination of all transfer restrictions applicable to the Shares imposed by Section 6(b) hereof, the Company shall have the right and option (the "Repurchase Right"), but not the obligation, to purchase from the Participant any and all vested Restricted Shares, on any date selected by the Company during the 30-day period commencing on the later of (i) the date of such termination of employment or (ii) the date that is six months following the date such Restricted Shares became vested Restricted Shares. The purchase price for such vested Restricted Shares (the "Repurchase Price") shall be the Fair Market Value of the vested Restricted Shares on the date the Company exercises its Repurchase Right. Notwithstanding the foregoing and solely to the extent required by California "blue sky laws:" (x) the Repurchase Price shall be the Fair Market Value of the vested Restricted Shares on the date of the Participant's termination of employment and (y) the Company's Repurchase Right shall commence on the date of such Participant's termination of employment and shall expire on the 90 th day thereafter. The Repurchase Right shall be exercised in accordance with the following procedures:

(i) The Company may exercise the Repurchase Right by delivering or mailing to the Participant (or his estate, if applicable) in accordance with Section 10 hereof, written notice of exercise (the "Repurchase Notice"). The Repurchase Notice shall specify the date thereof, the number of vested Restricted Shares to be purchased and the aggregate Repurchase Price.

(ii) Within ten days after the Participant's receipt of the Repurchase Notice (or in the event of the Participant's death or the termination of the Participant's employment by the Company due to Disability, within 60 days after such receipt), the Participant (or his estate, if applicable) shall tender to the Company at its principal offices (or at such other location or through such other party as

specified in such notice) the certificate or certificates, if any, representing the vested Restricted Shares that the Company has elected to purchase, duly endorsed in blank, by the Participant or with duly endorsed stock powers attached thereto, all in a form suitable for the transfer of such vested Restricted Shares to the Company. Upon its receipt of such vested Restricted Shares, the Company shall pay the Participant the aggregate Repurchase Price. The aggregate Repurchase Price may be payable, at the option of the Company, in cancellation of all or a portion of the any outstanding indebtedness of the Participant to the Company, or in cash (by check) or both.

(iii) If the Company delivers a Repurchase Notice as to any vested Restricted Shares, then from and after the time of delivery of the Repurchase Notice (A) the Participant shall no longer have any rights as a holder of the vested Restricted Shares subject thereto (other than the right to receive payment of the Repurchase Price in accordance with this Section 3(c)) and (B) such vested Restricted Shares shall be deemed purchased in accordance with the applicable provisions hereof and the Company shall be deemed to be the owner and holder of such vested Restricted Shares.

(iv) Any vested Restricted Shares as to which the Repurchase Right is not exercised shall remain subject to all the terms and conditions of this Agreement, including to the extent applicable the continuation of the Company's right to exercise the Repurchase Right.

4. Change in Control . Upon a Change in Control, all Restricted Shares that would otherwise have become vested Restricted Shares on or prior to the first anniversary of the Change in Control had the Participant remained in the employ of the Company during such one-year period shall become vested Restricted Shares; provided however , that in the event that the Participant's employment with the Company is terminated by the Company other than for Cause within such one-year period following the Change in Control, all Restricted Shares granted to the Participant hereunder shall become vested Restricted Shares.

5. No Right to Continued Employment . Neither the Plan nor this Agreement shall confer on the Participant any right to be retained, in any position, as an employee, consultant or director of the Company.

6. Transferability .

(a) The Restricted Shares may not, at any time prior to becoming vested Restricted Shares be transferable and may not be sold, assigned, transferred, disposed of, pledged or otherwise encumbered by the Participant, other than by will or the laws of descent and distribution. Upon such transfer (by will or the laws of descent and distribution), such transferee in interest shall take the rights granted herein subject to all the terms and conditions hereof.

(b) Subject to Section 6(b) hereof, in order to comply with any applicable securities laws, the Participant agrees that the Restricted Shares shall only be sold by the Participant following registration of the Shares under the Securities Act of 1933, as amended, or pursuant to an exemption therefrom.

7. Withholding . The Participant shall pay to the Company promptly upon request, and in any event at the time the Participant recognizes taxable income in respect of the Restricted Shares, an amount equal to the taxes the Company determines it is required to withhold under applicable tax laws with respect to the Restricted Shares. Such payment shall be made in the form of cash, Shares already owned for at least six months, delivering to the Company a portion of the Restricted Shares sufficient to satisfy the minimum withholding required with respect thereto to the extent permitted by the Company, or in a combination of such methods, as irrevocably elected by the Participant prior to the applicable tax due date with respect to such Restricted Shares. The Participant shall promptly notify the Company of any election made pursuant to Section 83(b) of the Code and shall provide the Company with a copy of such election. The Participant shall be solely responsible for properly and timely completing and filing any such election.

8. Governing Law . This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of law provisions thereof.

9. Amendments . This Agreement may be amended or modified at any time by an instrument in writing signed by the parties hereto.

10. Notices . Any notice, request, instruction or other document given under this Agreement shall be in writing and may be delivered by such method as may be permitted by the Company, and shall be addressed and delivered, in the case of the Company, to the Secretary of the Company at the principal office of the Company and, in the case of the Participant, to the Participant's address as shown in the records of the Company or to such other address as may be designated in writing (or by such other method approved by the Company) by either party.

11. Severability . The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of the Agreement shall be severable and enforceable to the extent permitted by law.

12. Award Subject to Plan; Amendments to Award . This Award is subject to the Plan as approved by the shareholders of the Company. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of this Agreement will govern and prevail.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement. By execution of this Agreement, the Participant acknowledges receipt of a copy of the Plan.

The Nasdaq Stock Market, Inc.

Participant (Print Name)

Participant Signature

Exhibit A

STOCK POWER

For value received, I hereby sell, assign and transfer unto _____ _____ shares of the Common Stock of The Nasdaq Stock Market, Inc. _____ standing in my name on the books of said Corporation represented by Certificate(s) Number(s) _____ herewith, and do hereby irrevocably constitute and appoint _____ attorney to transfer the said stock on the books of said Corporation with full power of substitute in the premises.

Date:_____

Printed Name:_____

Social Security Number:_____

Signature:_____

Witness Signature:_____

Exhibit 10.3.5

THE NASDAQ STOCK MARKET, INC.
RESTRICTED STOCK AWARD AGREEMENT

RESTRICTED STOCK AWARD AGREEMENT (the "Agreement") dated as of **Date of Grant** (the "Date of Grant"), between The Nasdaq Stock Market, Inc., a Delaware corporation (the "Company"), and **Name** (the "Director"):

R E C I T A L S:

The Company has adopted The Nasdaq Stock Market, Inc. Equity Incentive Plan (the "Plan"), which Plan is incorporated herein by reference and made a part of this Agreement. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Plan.

The Committee has determined that it is in the best interests of the Company and its shareholders to grant the restricted stock award provided for herein to the Director pursuant to the Plan and the terms set forth herein as an increased incentive for the Director to contribute to the Company's future success and prosperity.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

1. Grant of the Restricted Shares .

(a) The Company hereby grants to the Director an Award (the "Award") of **Number of Shares** Shares of restricted stock (the "Restricted Shares"), subject to the terms and conditions set forth in this Agreement and the Plan. Subject to Section 2 hereof, the Restricted Shares shall be registered in the name of the Director on the stock transfer books of the Company. However, any certificates issued with respect to Restricted Shares may be held by the Company in escrow under the terms hereof, provided, that, unless the Company determines otherwise, no such certificates should be issued prior to vesting pursuant to Section 2 hereof. Any such certificates shall bear the legend set forth in Section 1(b) below or such other appropriate legend as the Committee shall determine, which legend shall be removed only if and when the Restricted Shares have become vested Restricted Shares (as defined in Section 2(a) hereof). As a condition to the issuance of Shares pursuant to this Award, the Director shall deliver to the Company stock powers substantially in the form annexed hereto as Exhibit A duly endorsed in blank. The Director shall be entitled to vote all Restricted Shares, and shall be entitled to receive, free of all restrictions, ordinary cash dividends and dividends in the form of Shares thereon if any. The Director's right to receive any extraordinary dividends or other distributions with respect to Restricted Shares prior to their becoming vested Restricted Shares shall be at the sole discretion of the Committee, but in the event of any such extraordinary dividends or distributions are paid to the holders of Company Shares, the Committee shall take such action as may be appropriate to preserve the value of, and prevent the unintended enhancement of the value of, the Restricted Shares.

(b) Unless otherwise determined by the Committee, any certificate issued in respect of the Restricted Shares shall bear the following legend:

"This certificate and the shares of stock represented hereby are subject to

the terms and conditions, including forfeiture provisions and restrictions against transfer (the "Restrictions"), contained in The Nasdaq Stock Market, Inc. Equity Incentive Plan and an agreement entered into between the registered owner and The Nasdaq Stock Market, Inc. Any attempt to dispose of these shares in contravention of the applicable restrictions, including by way of sale, assignment, transfer, pledge, hypothecation or otherwise, shall be null, void and without effect."

2. Vesting .

(a) Except as otherwise provided in this Section 2 and Section 3 hereof, and contingent upon the Director's continued service with the Company, one hundred percent of the Restricted Shares shall vest and become non-forfeitable on **Vesting Date** . Any Restricted Shares that have become vested shall be referred to hereunder as "vested Restricted Shares."

(b) Notwithstanding any other provision of the Plan or this Agreement to the contrary, Restricted Shares (whether or not then vested) may not be transferred, assigned or otherwise encumbered other than in accordance with the applicable provisions of Section 6 hereof, prior to the completion of any registration or qualification of the Shares under applicable state and federal securities or other laws, or under any ruling or regulation of any government body, national securities exchange, or inter-dealer market system that the Committee shall in its sole discretion determine to be necessary or advisable.

3. Termination of Service .

(a) If the Company terminates the Director's service on the Board on account of "Misconduct" (as such term is defined below), all Restricted Shares which have not as of the date of such termination become vested shall be deemed canceled and forfeited on the effective date of such termination without further consideration to the Director.

(b) If the Director's service on the Board terminates by reason of death or "Disability" (as such term is defined below), all Restricted Shares shall become vested on the date of such termination.

(c) If the Director's service on the Board terminates by reason of the expiration of his "Term" (as such term is defined below) prior to the date his Restricted Shares would otherwise vest pursuant to Section 2 hereof, all Restricted Shares shall become vested Restricted Shares.

(d) If the Director's service on the Board terminates for any reason other than those set forth in Sections (a) through (c) of this Section 3, all Restricted Shares which have not as of the date of such termination become vested shall be deemed canceled and forfeited on the effective date of such termination without further consideration to the Director.

(e) For purposes of this Agreement the terms "Misconduct," "Disability," and "Term" shall have meanings set forth in this Section 3(e):

(i) "Misconduct" means the Director's conviction of, or pleading *nolo contendre*

to a felony or to any crime, whether a felony or misdemeanor, involving the purchase or sale of any security, mail or wire fraud, theft, embezzlement, or Company property or a material breach of the Director's fiduciary duty to the Company or its shareholders.

(i) "Disability" means the Director's physical or mental incapacity for a period of 45 consecutive working days or 60 days in a six (6) month period which makes the Director unable to perform his duties to the Company. Any question as to the existence of the Disability of the Director shall be determined by a qualified physician selected by the Company.

(ii) "Term" shall mean each term of service on the Board commencing on the Director's election or most recent re-election to the Board and ending on the third anniversary thereafter unless the Director was elected for a shorter period, in which event the shorter period shall be the Term; provided , however , that the Term shall be deemed to include any automatic renewal thereof.

4. No Right to Continued Service . Neither the Plan nor this Agreement shall confer on the Director any right to be retained, in any position, as an employee, consultant or director of the Company.

5. Transferability .

(a) The Restricted Shares may not, at any time prior to becoming vested Restricted Shares be transferable and may not be sold, assigned, transferred, disposed of, pledged or otherwise encumbered by the Director, other than by will or the laws of descent and distribution. Upon such transfer (by will or the laws of descent and distribution), such transferee in interest shall take the rights granted herein subject to all the terms and conditions hereof.

(b) Subject to Section 5(a) hereof, in order to comply with any applicable securities laws, the Director agrees that the Restricted Shares shall only be sold by the Director following registration of the Shares under the Securities Act of 1933, as amended, or pursuant to an exemption therefrom.

6. Withholding . The Director shall pay to the Company promptly upon request, and in any event at the time the Director recognizes taxable income in respect of the Restricted Shares, an amount equal to the taxes the Company determines it is required to withhold under applicable tax laws with respect to the Restricted Shares. Such payment shall be made in the form of cash, Shares already owned for at least six months, delivering to the Company a portion of the Restricted Shares sufficient to satisfy the minimum withholding required with respect thereto, or in a combination of such methods, as irrevocably elected by the Director prior to the applicable tax due date with respect to such Restricted Shares. The Director shall promptly notify the Company of any election made pursuant to Section 83(b) of the Code and shall provide the Company with a copy of such election. The Director shall be solely responsible for properly and timely completing and filing any such election.

7. Governing Law . This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of law provisions thereof.

8. Amendments . This Agreement may be amended or modified at any time by an instrument in writing signed by the parties hereto.

9. Notices . Any notice, request, instruction or other document given under this Agreement shall be in writing and may be delivered by such method as may be permitted by the Company, and shall be addressed and delivered, in the case of the Company, to the Secretary of the Company at the principal office of the Company and, in the case of the Director, to the Director's address as shown in the records of the Company or to such other address as may be designated in writing (or by such other method approved by the Company) by either party.

10. Severability . The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of the Agreement shall be severable and enforceable to the extent permitted by law.

11. Award Subject to Plan; Amendments to Award . This Award is subject to the Plan as approved by the shareholders of the Company. The terms and provisions of the Plan as it may be amended from time to time are hereby incorporated herein by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of this Agreement will govern and prevail.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement. By execution of this Agreement, the Director acknowledges receipt of a copy of the Plan.

The Nasdaq Stock Market, Inc.

_____ Director

(Print Name)

_____
Director Signature

Exhibit 10.4

THE NASDAQ STOCK MARKET, INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Effective as of November 1, 2003

THE NASDAQ STOCK MARKET, INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

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THE NASDAQ STOCK MARKET, INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

ARTICLE I

GENERAL

1.1 Effective Date . Except as otherwise provided in the Plan, the provisions of the Plan shall be effective as of November 1, 2003. The rights, if any, of any person whose status as an employee of an Employer has terminated shall be determined pursuant to the Plan as in effect on the date such employee terminated, unless a subsequently adopted provision of the Plan is made specifically applicable to such person.

The rights of any person who terminated employment with an Employer prior to October 31, 2003, shall be determined under the terms of the National Association of Securities Dealers, Inc. Supplemental Executive Retirement Plan (the "NASD SERP") as in effect on such date.

1.2 Purpose . The purpose of the Plan is to attract, retain and encourage the productive efforts of a select group of senior executives who render valuable services to an Employer that constitute an important contribution toward the Company's continued growth and success by providing supplemental retirement income to such designated executives and their beneficiaries.

1.3 Scope . The Plan is intended to be (and shall be construed and administered as) an "employee pension benefit plan" under the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), which is unfunded and maintained by the Company to provide retirement benefits to a select group of management or highly compensated employees as such group is described under Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA.

1.4 Source of Funds . The obligation of the Company to make payments under the Plan constitutes nothing more than an unsecured promise of the Company to make such payments; any property of an Employer that may be set aside for the payment of benefits under the Plan shall, in the event of the Company's or an Employer's bankruptcy or insolvency, remain subject to the claims of the Company's and an Employer's general creditors until such property is distributed in accordance with Article IV (Retirement Benefits) and/or Article V (Death Benefits) hereof.

ARTICLE II

DEFINITIONS AND USAGE

2.1 Definitions . Wherever used in the Plan, the following words and phrases shall have the meanings set forth below unless the context plainly requires a different meaning:

(a) **"Actual Accrued Benefit"** means, as of any date, the Participant's accrued benefit under the Pension Plan expressed as a single life annuity (payable monthly) commencing at his or her Normal Retirement Date.

(b) **"Actuarial Equivalent"** means the actuarial equivalent value determined by using the interest rate and mortality assumptions that would be applicable under the Pension Plan as of the date such assumptions are utilized under the Plan.

(c) **"Base Compensation"** means compensation as defined under the Pension Plan for purposes of determining a Participant's Actual Accrued Benefit; provided , however , that compensation shall be determined without regard to the compensation limit set forth in Section 401(a)(17) of the Code, as adjusted to reflect cost-of-living increases by the Secretary of the Treasury or his or her delegate from time to time under such Code section.

(d) **"Beneficiary"** means with respect to a Participant, the beneficiary entitled to receive any benefits due such Participant under the Pension Plan upon his or her death.

(e) **"Benefit Commencement Date"** means the date a Participant begins to receive payment of his or her retirement benefit from the Pension Plan.

(f) **"Board"** means the Board of Directors of the Company.

(g) **"Career Average Compensation"** means Career Average Compensation as defined in the Pension Plan (but taking into account Compensation as defined in this Plan); provided , however , that a Participant shall not be deemed to be paid Incentive Compensation for purposes of determining his or her Compensation while on an authorized leave of absence or away from active employment pursuant to the Selective Service Act or similar act, except to the extent required by law. Subject to the limitation in the preceding sentence, a Disabled Participant shall be deemed to receive Compensation during his or her Disability Period at the same rate that such Compensation was received at the time his or her disability was incurred.

(h) **"Code"** means the Internal Revenue Code of 1986, as amended from time to time, and any regulations issued thereunder. A reference to any section of the Code shall also be deemed to refer to any successor statutory provision.

(i) **"Company"** means the Nasdaq Stock Market, Inc. and any successor thereto.

(j) **"Compensation"** means Base Compensation, but for purposes of determining Compensation, Base Compensation shall be deemed to include one-third (1/3 s) of a Participant's Incentive Compensation earned during the **"determination period** . **"**

For purposes of determining a Participant's Career Average Compensation, the **"determination period"** for Incentive Compensation (i) for a Participant who has a Termination of Employment on or after November 1, 2003, but prior to January 1, 2009 shall be the five (5) consecutive Plan Years ending on the December 31st that coincides with or precedes the Participant's Termination of Employment; and (ii) for a Participant who has a Termination of Employment on or after January 1, 2009 shall be the period beginning on the later of (x) January 1, 2004 or (y) the date such Participant first became an employee of an Employer, and ending on his or her Termination of Employment.

For purposes of the Plan, annual Incentive Compensation shall be attributed to the Plan Year in which the services giving rise to such compensation were performed, rather than the Plan Year in which the Participant actually receives such Incentive Compensation.

(k) **"Death Benefit"** means the benefit, if any, a Participant's Beneficiary is entitled to receive following the death of such Participant pursuant to Article VI hereof.

(l) **"Disabled Participant"** means a Participant (i) eligible to receive payments under an Employer's long-term disability program, regardless of whether such Participant is in fact covered by such program or (ii) who is otherwise considered "disabled" as such term is defined in an employment agreement entered into by and between such Participant and an Employer.

(m) **"Disability Period"** means the period that commences with the date as of which the Participant becomes a Disabled Participant and ceases with the earliest of the following dates: (i) the date as of which the Participant would cease to receive disability benefits under an Employer's long-term disability program, if such Participant were covered by such program; (ii) the date as of which the Participant ceases to have a disability within the meaning of an Employer's long-term disability program or within

the meaning of such term as set forth in an employment agreement entered into by and between the Participant and an Employer; (iii) the date as of which the Participant is considered by the SERP Committee to have refused to furnish proof that he or she continues to have a disability within the meaning of an Employer's long-term disability program; and (iv) the death of the Participant.

(n) **"Early Retirement Benefit"** means the benefit provided in accordance with Section 4.4 hereof. Such benefit shall be expressed as a single life annuity (payable monthly), provided that the actual payment of the Early Retirement Benefit under the Plan shall be made in a form determined under Section 4.6 and 4.7 hereof.

(o) **"Employer"** means the Company and any other entity which adopts the Plan for the benefit of a select group of its management or highly compensated employees in accordance with Section 8.12 hereof.

(p) **"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations issued thereunder. A reference to any section of ERISA shall also be deemed to refer to any successor statutory provision.

(q) **"Executive Participant"** means a Participant who is a Chairman and/or Chief Executive Officer, Chief Financial Officer, President, Chief Operating Officer, or Executive Vice President of an Employer or any other Participant that the Management Compensation Committee deems in its sole discretion to be an Executive Participant.

(r) **"Incentive Compensation"** means the annual payment earned by a Participant under the Nasdaq Corporate Incentive Plan or the Executive Corporate Incentive Plan or any successor bonus plan or arrangement maintained or sponsored by an Employer.

(s) **"Management Compensation Committee"** means the Management Compensation Committee of the Board or any other committee of the Board authorized by the Board to act as the Management Compensation Committee.

(t) **"Normal Retirement Age"** means age sixty-five (65), except that in the case of an employee who becomes a Participant after his or her sixtieth (60th) birthday, it shall mean the tenth (10th) anniversary of the date he or she became an employee of an Employer.

(u) **"Normal Retirement Benefit"** means the benefit provided in accordance with Section 4.3 hereof. Such benefit shall be expressed as a single life annuity (payable monthly), provided that the actual payment of the Normal Retirement Benefit under the Plan shall be made in a form determined under Section 4.6 and 4.7 hereof.

(v) **"Normal Retirement Date"** means the later (a) of the first day of the first month following the month in which a Participant attains Normal Retirement Age or (b) the Participant's Benefit Commencement Date.

(w) **"Participant"** means an employee of an Employer who has been designated as a Participant by the Management Compensation Committee pursuant to Section 3.1 hereof and continues to be entitled to benefits under the Plan.

(x) **"Pension Plan"** means the NASD Employees Retirement Plan or any other qualified defined benefit pension plan in which the Company participates or that is maintained or sponsored by the Company, in each case as designated by the Company.

(y) **"Plan"** means the Nasdaq Stock Market, Inc. Supplemental Executive Retirement Plan.

(z) **"Plan Benefit Commencement Date"** means the date a Participant begins to receive payment of his or her Early Retirement Benefit or Normal Retirement Benefit in accordance with Article IV.

(aa) **"Plan Year"** means the calendar year.

(bb) **"Preretirement Survivor's Benefit"** means the Death Benefit payable to a Beneficiary under Section 5.1 hereof.

(cc) **"Primary Social Security Benefit"** means primary social security benefit as defined in the Pension Plan.

(dd) **"Retirement Benefit"** means the Normal Retirement Benefit or Early Retirement Benefit provided in accordance with Section 4.3 or 4.4 hereof. Such benefit shall be expressed as a single life annuity (payable monthly), provided that actual payment of the Retirement Benefits under this Plan shall be made in a form determined under Sections 4.6 and 4.7 hereof.

(ee) **"Senior Participant"** means a Participant who is a Senior Vice President or any other Participant that the Management Compensation Committee deems in its sole discretion to be a Senior Participant.

(ff) **"SERP Committee"** means the Nasdaq Stock Market, Inc. SERP Committee, whose members shall be appointed by the Management Compensation Committee pursuant to Article VI hereof.

(gg) **"Service"** means service as defined in the Pension Plan for purposes of determining a Participant's accrued benefit thereunder. In

addition to Service credited under the preceding sentence, a Disabled Participant shall be credited with Service equal to such Participant's Disability Period.

(hh) **"Termination of Employment"** means termination of employment as defined in the Pension Plan, provided that for purposes of Article IV hereof, a Disabled Participant shall not be treated as having had a Termination of Employment during his or her Disability Period.

2.2 Usage . Except where otherwise indicated by the context, the definition of any term herein in the singular shall also include the plural and vice versa.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1 Eligibility . Employees who are designated as Participants pursuant to Section 3.2 hereof must be members of a select group of management or highly compensated employees as such group is described under Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA.

3.2 Participation . Subject only to the restriction provided in Section 3.1 hereof, the Management Compensation Committee shall be the sole judge in determining who shall be eligible to be a Participant, and accordingly, shall from time to time designate the Participants in the Plan. Participation shall be evidenced by a written instrument (which may, but need not, form part of an agreement between the employee and an Employer) signed on behalf of an Employer.

3.3 Special Provisions . The Management Compensation Committee may, with respect to any Participant it designates pursuant to Section 3.2 hereof, establish any special provision(s) with respect to the Plan that will be incorporated herein by reference and that supplement or override otherwise applicable provisions of this Plan; provided ; however that such special provisions must be reduced to writing and executed on behalf of an Employer and approved by specific resolution of the Management Compensation Committee. Notwithstanding the foregoing, any agreement entered into by and between the Company and an executive who was a participant in the NASD SERP on October 31, 2003, which contained special provisions with respect to the NASD SERP shall be applied to the Plan as if such agreement were intended to supplement or override the otherwise applicable provisions of this Plan.

ARTICLE IV

SUPPLEMENTAL RETIREMENT BENEFIT

4.1 Eligibility for Retirement Benefits .

(a) Each Participant whose benefit under the Plan has vested, pursuant to Section 4.2 hereof, shall be eligible for a Normal Retirement Benefit as provided under Section 4.3 hereof commencing at his or her Normal Retirement Date.

(b) Each Participant whose benefit under the Plan has vested, pursuant to Section 4.2 hereof, and whose Plan Benefit Commencement Date is prior to his or her Normal Retirement Date shall be eligible for an Early Retirement Benefit as provided in Section 4.4 hereof.

4.2 Vesting . Subject only to Section 1.4 hereof, from and after the date on which a Participant attains age 55 and completes ten (10) years of Service, the right of such Participant to receive his or her Retirement Benefit shall at all times thereafter be fully vested and nonforfeitable. Accordingly, a Participant who has a Termination of Employment prior to attaining age 55 and completing ten (10) years of Service shall not be entitled to a Retirement Benefit.

4.3 Normal Retirement Benefit .

(a) Executive Participants . The monthly Normal Retirement Benefit of an Executive Participant commencing at his or her Normal Retirement Date shall be equal to sixty percent (60%) of his or her Career Average Compensation, multiplied by a fraction, the numerator of which is the Participant's number of days of Service, and the denominator of which is three thousand six hundred and fifty (3,650) and, after such multiplication, reduced by his or her Actual Accrued Benefit. If the fraction provided in the prior sentence shall be greater than one (1), the fraction shall be deemed to equal one (1). Accordingly, each Executive Participant's Normal Retirement Benefit shall accrue at a rate of six percent (6%) per year of Service.

(b) Senior Participants . The monthly Normal Retirement Benefit of a Senior Participant commencing at his or her Normal Retirement Date shall be equal to sixty percent (60%) of his or her Career Average Compensation, multiplied by a fraction, the numerator of which is the Participant's number of days of Service, and the denominator of which is five thousand four hundred and seventy-five (5,475) and, after such multiplication, reduced by both his or her Actual Accrued Benefit and his or her Primary Social Security Benefit. If the fraction provided in the prior sentence shall be greater than one (1), the fraction shall be deemed to equal one (1). Accordingly, each Senior Participant's Normal Retirement Benefit shall accrue at a rate of four percent (4%) per year of Service.

(c) For purposes of the Plan, the Actual Accrued Benefit shall be determined as of the Plan Benefit Commencement Date, provided that in the sole and absolute discretion of the SERP Committee (except in the case of a Participant who is a member of the SERP Committee, in which event such discretion shall rest in the Management Compensation Committee), the determination shall be made as of the date that is not more than 30 days before such Plan Benefit Commencement Date.

4.4 Early Retirement .

(a) Executive Participants . The monthly Early Retirement Benefit of an Executive Participant who elects to receive an Early Retirement Benefit rather than a Normal Retirement Benefit and whose Plan Benefit Commencement Date is before his or her Normal Retirement Date shall be computed as follows:

(i) first, such Participant's Normal Retirement Benefit shall be determined pursuant to Section 4.3(a) hereof, but without reduction for his or her Actual Accrued Benefit;

(ii) second, the amount determined in (i) of this Section 4.4(a) shall be reduced by 1/4 of 1% for each month by which such Participant's Plan Benefit Commencement Date precedes the first day of the first calendar month after the calendar month in which such Participant attains age 62; and

(iii) third, the amount determined in (ii) of this Section 4.4(a) shall be further reduced by the single life annuity (payable monthly) commencing on such Participant's Plan Benefit Commencement Date to which the Participant is entitled under the Pension Plan.

(b) Senior Participants . The monthly Early Retirement Benefit of a Senior Participant who elects to receive an Early Retirement Benefit rather than a Normal Retirement Benefit and whose Plan Benefit Commencement Date is before his or her Normal Retirement Date shall be computed as follows:

(i) first, such Participant's Normal Retirement Benefit shall be determined pursuant to Section 4.3(b) hereof, but without reduction for his or her Actual Accrued Benefit, and without reduction for his or her Primary Social Security Benefit;

(ii) second, the amount determined in (i) of this Section 4.4(b) shall be reduced by 1/4 of 1% for each month by which such Participant's Plan Commencement Date precedes the first date of the first calendar month after the calendar month in which such Participant attains age 62; and

(iii) third, the amount determined in (ii) of this Section 4.4(b) shall be further reduced by the sum of (x) the single life annuity (payable monthly) commencing on such Participant's Plan Benefit Commencement Date to which the Participant is entitled under the Pension Plan, and (y) the single life annuity (payable monthly) commencing on such Participant's Plan Benefit Commencement Date that is equal to the Participant's Social Security Benefit reduced by 1/4 of 1% for each month by which his or her Plan Benefit Commencement Date precedes the first day of the first calendar month after the calendar month in which the Participant attains age 62.

(c) If a Participant elects to receive an Early Retirement Benefit, such Participant's Retirement Benefit shall be determined without regard to all Plan provisions relating to Disabled Participants and Disability Periods.

4.5 Time of Payment . The payment of a Participant's benefits under this Article IV shall commence on the Participant's Benefit Commencement Date.

4.6 Form of Payment . The normal form of payment of the Participant's Retirement Benefit shall be the form in which his or her Actual Accrued Benefit is payable under the Pension Plan. Retirement Benefits that are paid (other than as a single life annuity) shall be the Actuarial Equivalent of (i) the Participant's Normal Retirement Benefit determined pursuant to Section 4.3 hereof commencing at the Participant's Normal Retirement Date, or (ii) in the case of a Participant who elects an Early Retirement Benefit such Participant's Early Retirement Benefit computed in accordance with Section 4.4 hereof.

4.7 Optional Forms of Payment . As soon as practicable following the designation of an employee as a Participant in accordance with Section 3.2 hereof, the SERP Committee shall provide to each such Participant a form pursuant to which he or she may elect to receive his or her Retirement Benefit in one of the optional forms of payment permitted under the Pension Plan. Each Participant shall file his or her election, if any, with the SERP Committee as soon as practicable thereafter. Each Participant shall be permitted to revoke such election and make a new election on a form prescribed by the SERP Committee at any time and from time to time; provided ; however that the last such election on file with the SERP Committee, or its designee shall become irrevocable no later than one (1) year prior to such Participant's Plan

Benefit Commencement Date. Retirement Benefits paid in such other form shall be the Actuarial Equivalent of (i) the Participant's Normal Retirement Benefit determined pursuant to Section 4.3 hereof commencing at the Participant's Normal Retirement Date, or (ii) in the case of a Participant who elects an Early Retirement Benefit, such Participant's Early Retirement Benefit computed in accordance with Section 4.4 hereof.

4.8 Rehiring Terminated Participants . Notwithstanding anything in this Article IV to the contrary, in the event that a Participant has a Termination of Employment, and then again becomes a Participant pursuant to Article III, such individual shall be credited with the amount of Service he or she had earned as of the date of his or her Termination of Employment under the rules applicable to the Pension Plan. Notwithstanding the preceding sentence, a retired Participant shall not be credited with such prior Service except to the extent that the Employer provides for such credit in a designation made pursuant to Section 3.3 hereof. In the event of the rehiring of a former Participant, if such Participant's Retirement Benefits are in pay status, such benefits shall be suspended in the manner described in Article 7 of the Pension Plan. In the event a former Participant who has previously received his or her Retirement Benefit in the form of a lump sum is rehired pursuant to this Section 4.8, any further Retirement Benefit to be paid to such Participant following his or her next Termination of Employment shall be offset by the Actuarial Equivalent of the lump sum benefit previously paid to such Participant.

ARTICLE V

DEATH BENEFITS

5.1 Preretirement Survivor's Benefit . If a Participant dies prior to his or her Plan Benefit Commencement Date, the following provisions shall apply in lieu of Section 4.3 or 4.4 hereof, as applicable.

(a) Executive Participants.

(i) If an Executive Participant dies before his or her Plan Benefit Commencement Date and such Participant (x) is employed by an Employer at the time of his or her death, or (y) his or her Retirement Benefit has vested in accordance with Section 4.2 hereof, then the Beneficiary of such Participant shall be entitled to a benefit equal to three (3) times such Participant's most recent annual Base Compensation as of the date of death, payable without interest in equal monthly installments over ten (10) years beginning with the month immediately

following the death of such Participant. If the Beneficiary does not live to receive all 120 installments, then such installments shall continue to the Beneficiary's designated beneficiary (or to his or her estate if there is no designated beneficiary) until all 120 payments have been made.

(ii) If a Participant that is employed by an Employer dies while so employed and before attaining three thousand six hundred and fifty (3,650) days of Service, the monthly benefit payable under paragraph (i) shall be reduced so that it bears the same relationship to the monthly benefit determined without regard to this paragraph (ii) as the Participant's number of days of Service bears to three thousand six hundred and fifty (3,650).

(b) Senior Participants .

(i) If a Senior Participant dies before his or her Plan Benefit Commencement Date and such Participant (x) is employed by an Employer at the time of his or her death, or (y) his or her Retirement Benefit has vested in accordance with Section 4.2 hereof, then the Beneficiary of such Participant shall be entitled to a benefit equal to fifty percent (50%) of such Participant's most recent annual Base Compensation as of the date of death, payable without interest in equal monthly installments over ten (10) years beginning with the month immediately following the death of such Participant. If the Beneficiary does not live to receive all 120 installments, then such installments shall continue to the Beneficiary's designated beneficiary (or to his or her estate if there is no designated beneficiary) until all 120 payments have been made.

(ii) If a Participant that is employed by an Employer dies while so employed and before attaining five thousand four hundred and seventy-five (5,475) days of Service, the monthly benefit payable under paragraph (i) shall be reduced so that it bears the same relationship to the monthly benefit determined without regard to this paragraph (ii) as the Participant's number of days of Service bears to five thousand four hundred and seventy-five (5,475).

5.2 Post-Retirement Survivor's Benefit . If an Executive Participant or a Senior Participant dies after his or her Plan Benefit Commencement Date, the form

of payment of the Retirement Benefit selected pursuant to Article IV shall determine the entitlement of a Beneficiary to any Retirement Benefit payable to such Beneficiary. Such benefit will be determined under the terms and conditions of the Pension Plan.

ARTICLE VI

ADMINISTRATION

6.1 Administration Generally . This Section 6.1 is subject in its entirety to the provisions of Section 6.2 hereof. The SERP Committee shall administer the Plan and shall keep a written record of its actions and proceedings regarding the Plan and all dates, records and documents relating to its administration of the Plan. The SERP Committee is authorized to interpret the Plan, to make, amend and rescind such rules as it deems necessary for the proper administration of the Plan, to make all other determinations, including finding facts necessary or advisable for the administration of the Plan, and to correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent that the SERP Committee deems necessary and desirable to carry the Plan into effect. The powers and duties of the SERP Committee shall include, without limitation, the following:

(a) Determining the amount of benefits payable to Participants and authorizing and directing an Employer with respect to the payment of benefits under the Plan; provided , however , that no individual SERP Committee member may be in anyway involved in such determination with respect to his or her benefits or rights, if any, under the Plan;

(b) Construing and interpreting the Plan whenever necessary to carry out its intention and purpose and making and publishing such rules for the regulation of the Plan as are not inconsistent with the terms of the Plan; and

(c) Compiling and maintaining all records it determines to be necessary, appropriate or convenient in connection with the administration of the Plan.

Any action taken or determination made by the SERP Committee must be taken by a majority of the SERP Committee members and shall be conclusive on all parties.

6.2 Limitation on the SERP Committee's Authority . No member of the SERP Committee shall vote on any matter relating specifically to such member of the SERP Committee. In the event that a majority of the members of the SERP Committee will be specifically affected by any action proposed to be taken (as opposed to being affected in the same manner as all other

Participants in the Plan), such action shall be taken by the Management Compensation Committee. Notwithstanding anything in this Article VI to the contrary, the Management Compensation Committee maintains the full and complete authority and discretion to designate employees to become Participants in the Plan pursuant to Section 3.2 hereof, and to review any matter in its sole and complete discretion which it determines may specifically affect the benefits or rights under the Plan of any member of the SERP Committee. The Management Compensation Committee maintains sole and complete authority to appoint and remove members of the SERP Committee for any reason.

6.3 Delegation . The SERP Committee is authorized to designate a person or person as the "Administrator" of the Plan, and to delegate to the Administrator such duties and responsibilities with respect to the Plan as may, in the discretion of the SERP Committee, be appropriate; provided , however , that the SERP Committee may not delegate any power or authority reserved for the Management Compensation Committee.

6.4 Fees . No fees or compensation shall be paid to any member of the SERP Committee for his or her service on the SERP Committee.

ARTICLE VII

CLAIMS PROCEDURE

7.1 Provision of Benefits . It shall not be necessary for any Participant or Beneficiary entitled to receive a Retirement Benefit or Death Benefit, as applicable to file a claim under the Plan in order to receive such benefit; provided , however that a Participant who has not filed an election to receive his or her Retirement Benefit in an optional form in accordance with Section 4.7 hereof shall receive his or her Retirement Benefit in accordance with Section 4.6 hereof. Within sixty (60) days (or at such other time as the SERP Committee may determine) following a Participant's Termination of Employment, he or she shall receive a statement setting forth his or her Retirement Benefit and rights under the Plan, if any, and such other information as the SERP Committee deems reasonable and appropriate. Within sixty (60) days following the death of a Participant, his or her Beneficiary shall receive a notice of such Beneficiary's rights, if any, to a Death Benefit hereunder and such other information as the SERP Committee deems reasonable and appropriate.

7.2 Claims Review . The SERP Committee shall establish procedures for filing claims for benefits and for the appeal and review of claims for benefits which have been denied. If any person claiming benefits under the Plan is denied benefits by the SERP Committee, no later than 90 days after the receipt of

his or her claim by the SERP Committee (or within 180 days if special circumstances require an extension of time for processing the claim and if written notice of such extension and circumstances is given to such person within the initial 90-day period), the claimant shall be furnished with written notification from the SERP Committee stating: (i) the specific reason(s) for the denial; (ii) specific references to pertinent Plan provisions on which the denial is based; (iii) a description of any additional material or information necessary for the claimant to perfect his or her claim and the reason why such material or information is necessary; and (iv) the procedure for submitting his or her claim for review.

In the event a claimant's claim is denied, a claimant may request a review of his or her claim by the SERP Committee. Such request must be made by the claimant in writing within 90 days after receipt of notice that his or her claim has been rejected by the SERP Committee. Within 60 days after filing such request, the claimant, at the discretion of the SERP Committee, may be granted a hearing. The SERP Committee shall advise the claimant in writing of the disposition of his or her appeal within 60 days (or within 120 days if special circumstances require an extension of time for processing the request, such as an election by the SERP Committee to hold a hearing, and if written notice of such extension and circumstances are given to such person within the initial 60-day period after the request for a review of the claim is first received by the SERP Committee), and shall give specific reasons for its decision and specific references to the pertinent Plan provisions on which the decision is based.

Notwithstanding anything herein to the contrary, for all purposes of this Section 7.2, in the event the claimant is a member of the SERP Committee, the Management Compensation Committee shall serve as the committee reviewing such claim in accordance with the procedures provided in this Section 7.2 and the SERP Committee shall have no authority to review such claim.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

8.1 Amendment .

(a) The Company retains the right to amend the Plan in any respect (including retroactively) to the maximum extent permitted by law, which right includes the right to terminate any Participant's participation in the Plan in any manner (including retroactively) to the maximum extent permitted by law. Notwithstanding the foregoing, no such amendment may reduce a Participant's Retirement Benefit commencing at the Participant's Normal

Retirement Date or a Beneficiary's Preretirement Survivor's Benefit below the amount to which the Participant or his or her Beneficiary would be entitled (if any) if, immediately before the amendment is adopted, such Participant had a Termination of Employment. For this purpose, the amount of a Beneficiary's Retirement Benefit commencing at the Participant's Normal Retirement Date or of a Beneficiary's Preretirement Survivor's Benefit that may not be reduced by a plan amendment shall be determined as if, immediately before the amendment is adopted, the Participant had had a Termination of Employment for all purposes (including, for example and without limitation, determining such Participant's Career Average Compensation and Base Compensation and determining eligibility for a Preretirement Survivor's Benefit); provided , however , that such Participant's Actual Accrued Benefit and Primary Social Security Benefit shall be determined without regard to such deemed Termination of Employment.

(b) Any amendment to the Plan described in subsection (a) shall be binding on all Employers, Participants, Beneficiaries, and other persons.

8.2 Termination .

(a) The Company reserves the right to terminate the Plan at any time (including retroactively) to the maximum extent permitted by law. Notwithstanding the foregoing, no termination shall, without the consent of the Participant, reduce a Participant's Retirement Benefit commencing at the Participant's Normal Retirement Date or a Beneficiary's Preretirement Survivor's Benefit below the amount to which the Participant or his or her Beneficiary would be entitled (if any) if, immediately before the amendment terminating the Plan is adopted, such Participant had a Termination of Employment. For this purpose, the amount of a Participant's Retirement Benefit commencing at the Participant's Normal Retirement Date or of a Beneficiary's Preretirement Survivor's Benefit that may not be reduced by a plan amendment shall be determined as if, immediately before the amendment terminating the Plan is adopted, the Participant had a Termination of Employment for all purposes (including, for example and without limitation, determining such Participant's Career Average Compensation and Base Compensation and determining eligibility for a Preretirement Survivor's Benefit); provided , however , that such Participant's Actual Accrued Benefit and Primary Social Security Benefit shall be determined without regard to such deemed Termination of Employment.

(b) Any termination of the Plan described in subsection (a) shall be binding on all Employers, Participants, Beneficiaries, and other persons.

(c) The participation of an Employer in the Plan may be terminated at any time by such Employer with respect to employees of such Employer. Notice of such termination shall be given to the affected Participants and the Company, and such termination of participation shall be deemed an

amendment pursuant to Section 8.1 hereof. Upon any such termination, the Plan shall be deemed to be amended to reflect all necessary and appropriate changes to the Plan.

8.3 No Assignment . The Participant shall not have the power to pledge, transfer, assign, anticipate, mortgage, or otherwise encumber or dispose of in advance any interest in amounts payable hereunder or any of the payments provided for herein, nor shall any interest in amounts payable hereunder or in any payments be subject to seizure for payment of any debts, judgments, alimony, or separate maintenance, or be reached or transferred by operation of law in the event of bankruptcy, insolvency, or otherwise. This Section 8.3 shall prohibit the creation, assignment, or recognition of a right to any benefit payable with respect to a Participant or Beneficiary pursuant to a domestic relations order, unless the order is one that would be a qualified domestic relations order within the meaning of section 414(p) of the Code if Section 414(p) applied to the Plan ("deemed qualified domestic relations order"). Notwithstanding the foregoing, a payment under a deemed qualified domestic relations order may commence at any time set forth in the order, provided that such time is not later than the date on which the amount would otherwise be payable to the Participant under the Plan.

8.4 Incapacity . If any person to whom a benefit is payable under the Plan is an infant or if the SERP Committee determines that any person to whom such benefit is payable is incompetent by reason of physical or mental disability, the SERP Committee may cause the payments becoming due to such person to be made to another for his or her benefit. Payments made pursuant to this Section 8.4 shall, as to such payment, operate as a complete discharge of the Plan, each Employer, and the SERP Committee.

8.5 Successors and Assigns . The provisions of the Plan are binding upon and inure to the benefit of each Employer, its respective successors and assigns, and the Participant and his or her beneficiaries, heirs, legal representatives, and assigns.

8.6 Governing Law . The Plan shall be subject to and construed in accordance with the laws of the State of New York, to the extent not preempted by the provisions of ERISA.

8.7 No Guarantee of Employment . Nothing contained in the Plan shall be construed as a contract of employment or deemed to give any Participant the right to be retained in the employ of the Employer or to give any Participant any equity or other interest in the assets, business, or affairs of the Employer. No Participant hereunder shall have a security interest in assets of any Employer used to make contributions or pay benefits.

8.8 Severability . If any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, but the Plan shall be construed and enforced as if such illegal or invalid provision had never been included herein.

8.9 Notification of Addresses . Each Participant shall file with the Company, from time to time, in writing, the post office address of the Participant, the post office address of each Beneficiary, and each change of post office address. Any communication, statement, or notice addressed to the last post office address filed with the Company shall be binding on the Participant and each Beneficiary for all purposes of the Plan and neither the Company nor any Employer shall be obliged to search for or ascertain the whereabouts of any Participant or Beneficiary.

8.10 Bonding . The SERP Committee and all agents and advisors employed by it shall not be required to be bonded, except as otherwise required by ERISA.

8.11 Headings . The headings and subheadings in the Plan have been inserted for convenience of reference only and shall not be dispositive or controlling in construction of the provisions hereof.

8.12 Adoption of Plan by Other Employers . This Plan may be adopted by any entity through an adoption agreement signed by the Company and by such entity.

8.13 Indemnity . To the extent permitted by law, the Employers shall and do hereby jointly and severally indemnify and hold harmless any of their officers and employees, any member of their governing bodies, and each member of the SERP Committee, from any and all claims, demands, suits, or proceedings, for liability, loss, damage, penalty, or tax (including payment of legal fees and expenses in connection with defense against same) brought by any Participant, Beneficiary, or any other person, corporation, governmental agency, or other entity, arising from any act or failure to act which constitutes or is alleged to constitute a breach of such individual's responsibilities under any law; provided, however, that such indemnification shall not apply to any willful misconduct, willful failure to act, or gross negligence. Reasonable expenses incurred in defending any such claim, demand, suit, or proceeding shall be paid by the Employers in advance of a final disposition of such claim, demand, suit, or proceeding, upon presentation therefore by a person who would be entitled to indemnification under the prior sentence. An Employer shall have the right to control any controversy where the Employer is required to indemnify any individual under the provisions of this Section. It is contemplated that the Employers may, if they so desire, purchase insurance to cover their potential liability hereunder.

8.14 Tax Withholding . To the extent required by law, the Employer shall withhold from payouts hereunder, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required.

Exhibit 10.5

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (this *"Agreement"*), made and entered into effective as of January 1, 2007 (the *"Effective Date"*), by and between The Nasdaq Stock Market, Inc. (the *"Company"*) and Robert Greifeld (the *"Executive"*).

WHEREAS, the Executive and the Company entered into an Employment Agreement, dated as of May 12, 2003 (the *"Prior Agreement"*); and

WHEREAS, the Executive and the Company desire to amend and restate the Prior Agreement in its entirety.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein and for other good and valuable consideration, the parties hereby amend and restate the Prior Agreement in its entirety and agree as follows:

1. *Term of Employment*. Subject to Section 8 below, the term of the Executive's employment under this Agreement shall commence on the Effective Date and shall end on December 31, 2010 (the *"Initial Period"*); provided, however, that such term shall be automatically extended for additional one-year periods (each, a *"Renewal Period"*) unless, not later than 180 days prior to the expiration of the Initial Period or a Renewal Period, as applicable, either party hereto shall provide written notice of its or his desire not to extend the term hereof (a *"Non-Renewal Notice"*) to the other party hereto (the Initial Period, together with each Renewal Period then in effect, shall be referred to hereinafter as the *"Employment Term"*).

2. *Position*

(a) *Duties*. The Executive shall serve as the Company's Chief Executive Officer and President. In such position, the Executive shall have such duties and authority as shall be determined from time to time by the Board of Directors of the Company (the *"Board"*) and as shall be consistent with the by-laws of the Company as in effect from time to time; *provided* , *however* , that, at all times, the Executive's duties and responsibilities hereunder shall be commensurate in all material respects with his status as the senior-most officer of the Company. During the Employment Term, the Executive shall devote his full time and best efforts to his duties hereunder. The Executive shall report directly to the Board (or any committee of the Board designated for this purpose). In addition, the Executive agrees to continue to serve during the Employment Term as a member of the Board to the extent he is periodically elected or appointed to such position in accordance with the by-laws of the Company and applicable law.

(b) *Company Code of Conduct*. The Executive shall comply in all respects with the NASD Code of Conduct as may be amended from time to time (the *"Code of Conduct"*), and the Executive hereby acknowledges that he has received a copy of the Code of Conduct.

Pursuant to the Code of Conduct the Executive shall be required to: (i) disclose to the Audit Committee of the board of directors of the Nasdaq Stock Market, Inc. (the *"Audit Committee"*) the names of the boards of directors, boards of advisors or boards of trustees on which he currently serves and (ii) obtain prior approval from the Audit Committee for service as a new director of any publicly traded company, which approval shall not be unreasonably withheld. The Executive agrees to accept the final Audit Committee decision on the suitability of all present and future directorships as binding. Subject to the foregoing, the Executive may, in accordance with the Code of Conduct, (i) engage in personal activities involving charitable, community, educational, religious or similar organizations, (ii) manage his personal investments and (iii) continue to serve as a member of the boards of directors, boards of advisors or boards of trustees on which he is serving on the Effective Date; provided, however, that, in each case, such activities are in all respects consistent with applicable law and are in accordance with Section 9 below.

3. *Base Salary*. During the Employment Term, the Company shall pay the Executive a base salary (the *"Base Salary"*) at an annual rate of $1,000,000. The Base Salary shall be payable in regular payroll installments in accordance with the Company's payroll practices as in effect from time to time. The Management Compensation Committee of the Board (the *"Compensation Committee"*) shall review the Base Salary at least annually and may (but shall be under no obligation to) increase (but not decrease) the Base Salary on the basis of such review.

4. *Annual Bonus*

(a) *Annual Bonus*. For each calendar year during the Employment Term, the Executive shall be eligible to participate in the Incentive Compensation Program of the Company (the *"Bonus Program"*) in accordance with the terms and provisions of such Bonus Program as established from time to time by the Compensation Committee and pursuant to which the Executive will be eligible to earn an annual cash bonus (the *"Annual Bonus"*). The Company has made available to the Executive a complete copy of the Bonus Program in effect as of the Effective Date. Pursuant to the terms of the Bonus Program, the Executive shall be eligible to earn, for each full calendar year during the Employment Term, a target Annual Bonus equal to 200% of Base Salary (the *"Target Bonus"*) based upon the achievement of one or more performance goals established for such year by the Compensation Committee. The Executive shall have the opportunity to make suggestions to the Compensation Committee prior to the determination of the performance goals for the Bonus Program for each performance period, but the Compensation Committee will have final power and authority concerning the establishment at such goals.

(b) *Timing and Deferral of Annual Bonus*. The Annual Bonus for each year shall be paid to the Executive as soon as reasonably practicable following the end of such year, but in no event later than March 15 th following the end of the calendar year to which such Annual Bonus relates.

5. *Equity Compensation*.

(a) *Options*. As set forth in the Prior Agreement, the Company granted to Executive in 2003 two options to purchase the Company's common stock (the "Options"), each of which covers one million shares, at per share exercise prices of $5.28 per share and $6.30 per share, which was 100% of fair market value of a share of the Company's common stock on the date of grant, as determined in accordance with the methodology for calculating fair market value as set forth in The Nasdaq Stock Market, Inc. Equity Compensation Plan, which has been adopted by the Board and may from time to time, be amended (the *"Stock Plan"*). The Options shall continue to be subject to the terms and conditions of the respective option award agreements (the "Option Agreements") attached as Exhibits A and B to the Prior Agreement.

The Company granted the Executive an option on December 13, 2006 covering 960,000 shares of Company common stock (the *"Option"*) with a per share exercise price equal to the fair market value of a share of the Company's common stock on the date of grant, as determined in accordance with the methodology for calculating fair market value set forth in the Stock Plan. The Option shall be subject to a stock option agreement approved by the Compensation Committee, the principal terms and conditions of which are set forth on Exhibit A. The Option is intended to be the only grant of stock options to the Executive by the Company during the Initial Period.

(b) *Restricted Stock*. As set forth in the Prior Agreement, the Company made three separate grants of 100,000 restricted shares of the Company's common stock (the "Restricted Shares") to the Executive in 2003, 2004 and 2005. The Restricted Shares shall continue to be subject to the terms and conditions of the applicable restricted stock award agreements (the "Restricted Stock Agreements") the form of which are substantially similar to Exhibit C to the Prior Agreement.

(c) *Performance Share Units*. The Company will grant the Executive 80,000 performance share units in the first half of 2007, subject to shareholder approval. The Company shall further grant the Executive 80,000 performance share units annually no later than the first quarter of each of calendar years 2008, 2009 and 2010. Performance share units granted pursuant to this paragraph 5(c) (the *"Performance Share Units"*) shall vest under a three-year performance period, and shall be subject to the Executive's employment with the Company on each grant date and subject to the attainment of goals established by the Compensation Committee in consultation with the Executive. Each grant of Performance Share Units shall be subject to a performance share units agreement to be approved by the Compensation Committee, the principal terms and conditions of which are set forth on Exhibit B. Notwithstanding the foregoing, the grant of Performance Share Units pursuant to this paragraph 5(c) shall be subject to shareholder approval of performance related criteria and related amendments to the Stock Plan. The Company intends to seek such shareholder approval in 2007.

6. *Employee Benefits*.

(a) *Generally*. During the Employment Term, the Company shall provide the Executive with benefits on the same basis as benefits are generally made available to other senior executives of the Company, including, without limitation, medical, dental, vision, disability and life insurance, financial and tax planning services and retirement benefits. The Executive shall

be entitled to four weeks of paid vacation; provided, however, that, in the event the Executive's employment ends for any reason, the Executive shall be paid only for unused vacation that accrued in the calendar year his employment terminated and any unused vacation for any prior year shall be forfeited.

(b) *SERP Participation and Provisions*. The Executive shall continue to participate in the Nasdaq Stock Market, Inc. Supplemental Executive Retirement Plan (the *"SERP"*). The Company reserves the right to modify or terminate the SERP at any time. Notwithstanding any term or condition contained in the SERP to the contrary, and subject to the Company's right to modify or terminate the SERP at any time:

(i) Section 4.1 of the SERP shall be applied as if the age and service requirements stated therein were age 49 and four years of service rather than age 55 and ten years of service. Accordingly, the Executive shall be 100% vested in his accrued SERP benefit upon the later of his attainment of age 49 while employed and his completion of four years of service.

(ii) Section 4.1 of the SERP shall be applied as if the age and service requirements stated therein were satisfied upon the Executive's termination of employment by the Company without Cause or by the Executive for Good Reason pursuant to Section 8(b) below. Accordingly, under such circumstances, the Executive shall be 100% vested in his SERP benefit even if his employment terminates prior to his attaining age 49 and having completed four years of service with the Company.

(iii) The death benefit provided in Section 5.1 of the SERP shall become payable if the Executive dies before his SERP benefit commences, but after having satisfied the requirements of Section 4.1 of the SERP prior to modification by Section 6(b)(i) above (and, if the foregoing conditions are satisfied, such death benefit will be payable even if the Executive's death occurs after he has left employment with vested rights under the SERP, but before payment of the SERP benefit commences).

(iv) Section 4.3 of the SERP (relating to early retirement) shall be applied as if the service requirement stated therein were five years of service rather than ten years of service; *provided* that this special rule shall not permit the Executive's SERP benefit to start earlier than age 55.

(v) The provisions of this Section 6(b) shall not accelerate the rate at which the SERP benefit accrues so that the amount of the accrued SERP benefit shall be determined with reference to an accrual over a period of 3,650 days as provided in Section 4.2(a) of the SERP.

7. *Business and Other Expenses*.

(a) *Business Expenses*. During the Employment Term, the Company shall reimburse the Executive for reasonable business expenses incurred by him in the performance of his duties hereunder in accordance with the policy established by the Compensation Committee. Accordingly, the Company shall reimburse the Executive's expenses associated with business travel in accordance with such policy.

(b) *Transportation and Security*. During the Employment Term, in accordance with the directives of the Compensation Committee, the Company shall provide the Executive with an automobile and driver during the business week for personal and business use and at other times as required for business purposes. The driver shall have security training if the Executive and the Compensation Committee determine in good faith that such security training is necessary or advisable for the personal safety of the Executive or his family. The Company shall conduct a security audit of up to two of the Executive's personal residences and, if necessary, install or upgrade the Executive's home security systems at a reasonable cost to the Company not to exceed $50,000.

(c) *Legal Fees*. The Company shall pay or reimburse the Executive for his reasonable legal fees and related executive compensation consulting fees and expenses incurred in connection with the negotiation and execution of this Agreement upon presentation by the Executive of written invoices or receipts setting forth in reasonable detail the basis for such legal fees and expenses in an amount not to exceed $50,000.

8. *Termination*. Notwithstanding any other provision of this Agreement, subject to the further provisions of this Section 8, the Company may terminate the Executive's employment or the Executive may resign such employment for any reason or no stated reason at any time, subject to the notice and other provisions set forth below:

(a) *Generally*. In the event of the termination of the Executive's employment for any reason, the Executive shall be entitled to receive payment of (i) any unpaid Base Salary through the Date of Termination, (ii) subject to Section 6(a) above, any accrued but unpaid vacation through the Date of Termination (as defined below) and (iii) any earned but unpaid Annual Bonus with respect to the calendar year ended prior to the Date of Termination (the *"Base Obligations"*). In addition, in the event of the Executive's termination of employment, the applicable provisions of each Option Agreement and Performance Share Unit Agreement shall govern the treatment of the Options and the Performance Share Units, respectively.

For purposes of this Agreement, *"Date of Termination"* means (i) in the event of a termination of the Executive's employment by the Company for Cause or by the Executive for Good Reason, the date specified in a written notice of termination (or, if not specified therein, the date of delivery of such notice), but in no event earlier than the expiration of the cure periods set forth in Section 8(b)(ii) or 8(b)(iii) below, respectively; (ii) in the event of a termination of the Executive's employment by the Company without Cause, the date specified in a written notice of termination (or if not specified therein, the date of delivery of such notice); (iii) in the event of a termination of the Executive's employment by the Executive without Good Reason,

the date specified in a written notice of termination, but in no event less than 60 days following the date of delivery of such notice; (iv) in the event of a termination of the Executive's employment due to Permanent Disability (as defined below), the date the Company terminates the Executive's employment following the certification of the Executive's Permanent Disability; (v) in the event of a termination of Employment due to the Executive's death, the date of the Executive's death; or (vi) in the event of a termination of the Executive's employment due to the delivery of a Non-Renewal Notice, the date on which the Initial Period or a Renewal Period expires, as applicable.

(b) *Termination by the Company Without Cause or by the Executive for Good Reason*.

(i) The Executive's employment hereunder may be terminated by the Company without Cause or by the Executive for Good Reason. Upon the termination of the Executive's employment by the Company without Cause or by the Executive for Good Reason, except as provided in Section 8(h) below, the Executive shall be entitled to receive, in addition to the Base Obligations, the following payments and benefits (the *"Severance Benefits"*):

(A) *Severance Payment* . The Company shall pay the Executive an amount (the *"Severance Payment"*) equal to the sum of (I) the Base Salary paid to the Executive with respect to the calendar year immediately preceding the Executive's Date of Termination and (II) the Annual Bonus for the calendar year immediately preceding the Executive's Date of Termination, payable in substantially equal monthly installments for the twelve-month period following the Executive's Date of Termination (the "Severance Period"), or, if required to avoid the imposition of tax, interest or penalties under Section 409A of the Internal Revenue Code of 1986, as amended (Section "409A") beginning on the date that is six months and one day after the date of the Executive's "separation from service") within the meaning of 409A, in which case the first payment shall include all amounts that would have been paid on earlier payroll dates but for such delay;

(B) *SERP* . The Company shall provide the Executive the SERP benefit as set forth in Section 6(b)(ii) above; and

(C) *Health Care Coverage* . The Company shall provide the Executive with continued health care coverage for the lesser of (I) twelve months or (II) the period beginning with the Termination Date and ending on the date that the Executive is eligible for coverage under the health care plans of a subsequent employer, such coverage to be conditioned upon the Executive (X) being covered by the Company's health care plans immediately prior to the Date of Termination and (Y) paying his share of the applicable health care premiums, deductibles and co-payments for such period of coverage. The foregoing health care benefits are not intended to limit or otherwise reduce any entitlements that Executive may have under the Consolidated Omnibus Budget Reconciliation Act ("COBRA").

Receipt of the Severance Benefits by the Executive is subject to the execution by him of a general release of claims substantially in the form attached as Exhibit C (the *"Release"*). All other benefits, if any, due the Executive following termination pursuant to this Section 8(b) shall

be determined in accordance with the plans, policies and practices of the Company; provided, however, that the Executive shall not participate in any severance plan, policy or program of the Company. The payments and other benefits provided for in this Section 8(b) are payments and benefits to which the Executive is not otherwise entitled, are given in consideration for the Release and are in lieu of any severance plan, policy or program of the Company or any of its subsidiaries that may now or hereafter exist. The payments and benefits to be provided pursuant to this Section 8(b)(i) shall constitute liquidated damages and shall be deemed to satisfy and be in full and final settlement of all obligations of the Company to the Executive under this Agreement. The Executive acknowledges and agrees that such amounts are fair and reasonable, and are his sole and exclusive remedy, in lieu of all other remedies at law or in equity, and with respect to the termination of his employment hereunder. If, during the Severance Period, the Executive breaches in any material respect any of his obligations under Section 9 or 10 below, the Company may, upon written notice to the Executive, (x) terminate the Severance Period and cease to make any further payments of the Severance Payment and (y) cease any health care coverage continuation, except in each case as required by applicable law.

(ii) For purposes of this Agreement, *"Cause"* shall mean (A) the Executive's conviction of, or pleading nolo contendere to, any crime, whether a felony or misdemeanor, involving the purchase or sale of any security, mail or wire fraud, theft, embezzlement, moral turpitude, or Company property (with the exception of minor traffic violations or similar misdemeanors); (B) the Executive's repeated neglect of his duties to the Company; or (C) the Executive's willful misconduct in connection with the performance of his duties or other material breach by the Executive of this Agreement; provided, however, that the delivery of a Non-Renewal Notice by the Executive shall not constitute Cause for purposes of this Agreement; provided further that the Company may not terminate the Executive's employment for Cause unless (x) the Company first gives the Executive written notice of its intention to terminate and of the grounds for such termination within 90 days following the date the Board is informed of such grounds at a meeting of the Board and (y) the Executive has not, within 30 days following receipt of such notice, cured such Cause (if capable of cure) in a manner that is reasonably satisfactory to the Board.

(iii) For purposes of this Agreement, *"Good Reason"* shall mean the Company (A) reducing the Executive's position, duties, or authority; (B) failing to secure the agreement of any successor entity to the Company that the Executive shall continue in his position without reduction in position, duties or authority; or (C) committing any other material breach of this Agreement; provided, however, that the delivery of a Non-Renewal Notice by the Company shall not constitute Good Reason for purposes of this Agreement; and provided further that the occurrence of a Change in Control (as defined hereinbelow), following which the Company continues to have its common stock publicly traded and the Executive is offered continued employment as the principal executive officer with substantially the same duties and authority as he has hereunder of such publicly traded entity, shall not be deemed to give rise to an event or condition constituting Good Reason; and provided further that no event or condition shall constitute Good Reason unless (x) the Executive gives the Company a Notice of Termination specifying his objection to such event or condition within 90 days following the occurrence of such event or condition, (y) such event or condition is not corrected, in all material respects, by the Company in a manner that is reasonably satisfactory to the Executive within

30 days following the Company's receipt of such notice and (z) the Executive resigns from his employment with the Company not more than 30 days following the expiration of the 30-day period described in the foregoing clause (y).

(c) *Permanent Disability*.

(i) The Executive's employment hereunder may terminate due to his Permanent Disability. Upon termination of the Executive's employment due to Permanent Disability, the Executive shall be entitled to receive, in addition to the Base Obligations, subject to the execution of a Release a pro rata Target Bonus with respect to the calendar year in which the Date of Termination occurs payable in a lump sum within 30 days following the Date of Termination. All other benefits, if any, due the Executive following termination pursuant to this Section 8(c) shall be determined in accordance with the plans, policies and practices of the Company; *provided* , *however* , that the Executive shall not participate in any other severance plan, policy or program of the Company.

(ii) For purposes of this Agreement, *"Permanent Disability"* means the inability of the Executive to perform substantially all of his duties in the manner required by the Agreement, whether by reason of illness or injury or otherwise (whether physical or mental) incapacitating the Executive for a continuous period exceeding 120 days (or a period of six months in any twelve-month period). Such Permanent Disability shall be certified by a physician chosen by the Company and reasonably acceptable to the Executive (if he is then able to exercise sound judgment).

(d) *Death*. The Executive's employment hereunder shall terminate due to his death. Upon termination of the Executive's employment hereunder due to death, the Executive's estate shall be entitled to receive, in addition to the Base Obligations a pro rata Target Bonus with respect to the calendar year in which the Date of Termination occurs, payable in a lump sum within 30 days following the Date of Termination. All other benefits, if any, due the Executive's estate following termination pursuant to this Section 8(d) shall be determined in accordance with the plans, policies and practices of the Company.

(e) *For Cause by the Company or Without Good Reason by the Executive*. The Executive's employment hereunder may be terminated by the Company for Cause or by the Executive without Good Reason. Upon termination of the Executive's employment for Cause or without Good Reason pursuant to this Section 8(e), the Executive shall have no further rights to any compensation (including any Annual Bonus) or any other benefits under this Agreement other than the Base Obligations. All other benefits, if any, due the Executive following the Executive's termination of employment pursuant to this Section 8(e) shall be determined in accordance with the plans, policies and practices of the Company; provided, however, that the Executive shall not participate in any severance plan, policy, or program of the Company.

(f) *Non-Renewal of Employment Term*. The Executive's employment hereunder may be terminated by either the Executive or the Company by delivery of a Non-Renewal Notice in accordance with the provisions of Section 1 above. Upon termination of the Executive's employment pursuant to this Section 8(f), the Executive shall have no further rights,

other than those set forth in this Section 8(f) and as provided pursuant to Section 5 and Exhibits A and B hereto, to any compensation or benefits under this Agreement. All other benefits, if any, due the Executive following termination pursuant to this Section 8(f) shall be determined in accordance with the plans, policies and practices of the Company; provided, however, that the Executive shall not participate in any severance plan, policy or program of the Company.

(g) *Termination in Connection with Change in Control by the Company Without Cause or by the Executive for Good Reason*.

(i) If, within the period beginning on a Change in Control and ending two (2) years following such Change in Control, the Executive's employment is terminated by the Company without Cause or by the Executive for Good Reason, the Executive shall be entitled to receive, in addition to the Base Obligations, the following payments and benefits (the *"CIC Severance Benefits"*):

(A) CIC Severance Payment. On the first day of the seventh (7th) month following the Executive's Date of Termination, the Company shall pay the Executive a lump sum cash payment equal to the sum of (I) the Base Salary paid to the Executive with respect to the calendar year immediately preceding the Executive's Date of Termination, (II) the Annual Bonus for the calendar year immediately preceding the Executive's Date of Termination and (III) a pro rata portion of the Target Bonus for the calendar year in which Executive's Date of Termination occurs, determined by multiplying such Target Bonus by a fraction, the numerator of which is the number of days in the fiscal year in which the Date of Termination occurs through the Date of Termination and the denominator of which is three hundred sixty-five.

(B) *SERP* . The Company shall provide the Executive the SERP benefit as set forth in Section 6(b)(ii) above; and

(C) *Health and Welfare Benefits* . The Company shall provide the Executive with continued health care coverage for the lesser of (I) twenty-four months or (II) the period beginning with the Termination Date and ending on the date that the Executive is eligible for coverage under the health care plans of a subsequent employer, such coverage to be conditioned upon the Executive (X) being covered by the Company's health care plans immediately prior to the Date of Termination and (Y) paying his share of the applicable health care premiums, deductibles and co-payments for such period of coverage. The foregoing health care benefits are not intended to limit or otherwise reduce any entitlements that Executive may have under COBRA. In addition, the Company shall continue to provide the Executive with the same level of accident (AD&D) and life insurance benefits upon substantially the same terms and conditions (including contributions required by the Executive for such benefits) as existed immediately prior to the Executive's Date of Termination (or, if more favorable to the Executive, as such benefits and terms and conditions existed immediately prior to the Change in Control)

(D) *Additional Reimbursement Payment* . If, as provided in Exhibit D, Executive is subject to the excise tax imposed by Section 4999 of the Internal

Revenue Code, the Company shall make the additional reimbursement payment provided for in Exhibit D.

Receipt of the CIC Severance Benefits by the Executive is subject to the execution by him of a general release of claims substantially in the form attached as Exhibit C (the *"Release"*). All other benefits, if any, due the Executive following termination pursuant to this Section 8 (g) shall be determined in accordance with the plans, policies and practices of the Company; provided, however, that the Executive shall not participate in any severance plan, policy or program of the Company. The payments and other benefits provided for in this Section 8(g) are payments and benefits to which the Executive is not otherwise entitled, are given in consideration for the Release and are in lieu of any severance plan, policy or program of the Company or any of its subsidiaries that may now or hereafter exist. The payments and benefits to be provided pursuant of Section 8(g)(i) shall constitute liquidated damages and shall be deemed to satisfy and be in full and final settlement of all obligations of the Company to the Executive under this Agreement. The Executive acknowledges and agrees that such amounts are fair and reasonable, and are his sole and exclusive remedy, in lieu of all other remedies at law or in equity, and with respect to the termination of his employment hereunder. If, during the Severance Period, the Executive breaches in any material respect any of his obligations under Section 9 or 10 below, the Company may, upon written notice to the Executive, (x) terminate the Severance Period and cease to make any further payments of the CIC Severance Payment and (y) cease any health care coverage continuation, except in each case as required by applicable law.

(ii) For purposes of this Agreement "Change in Control" means the first to occur of any one of the following events:

(A) any "Person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act") (other than (1) the Company, (2) any Person who becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the Company's then outstanding securities eligible to vote in the election of the Board ("Voting Securities") as a result of a reduction in the number of Voting Securities outstanding due to the repurchase of Voting Securities by the Company unless and until such Person, after becoming aware that such Person has become the beneficial owner of more than 50% of the then outstanding Voting Securities, acquires beneficial ownership of additional Voting Securities representing 1% or more of the Voting Securities then outstanding, (3) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, (4) any entity owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of Voting Securities, and (5) the National Association of Securities Dealers, Inc. or its affiliates or subsidiaries (collectively "NASD")), is or becomes the beneficial owner, directly or indirectly, of more than 50% of the Voting Securities (not including any securities acquired directly (or through an underwriter) from the Company or the Companies);

(B) the following individuals cease for any reason to constitute a majority of the number of directors then serving on the Board: individuals who, on the date hereof, were members of the Board and any new director (other than a director whose initial assumption of

office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended;

(C) there is consummated a merger or consolidation of the Company with any other corporation or entity or the Company issues Voting Securities in connection with a merger or consolidation of any direct or indirect subsidiary of the Company with any other corporation, other than (1) a merger or consolidation that would result in the Voting Securities outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving or parent entity) more than 50% of the Company's then outstanding Voting Securities or more than 50% of the combined voting power of such surviving or parent entity outstanding immediately after such merger or consolidation or (2) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person, directly or indirectly, acquired more than 50% of the Company's then outstanding Voting Securities (not including any securities acquired directly (or through an underwriter) from the Company or the Companies); or

(D) the consummation of a plan of complete liquidation of the Company or the consummation of an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect), other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned directly or indirectly by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur as a result of any transaction or event which causes the reduction in the Voting Securities held by the NASD below 50% which would not otherwise constitute a Change in Control pursuant to clauses (A) through (D) above.

(h) *Mitigation; Offset*. Following the termination of his employment under any of the above clauses of this Section 8, the Executive shall have no obligation or duty to seek subsequent employment or engagement as an employee (including self-employment) or as a consultant or otherwise mitigate the Company's obligations hereunder; nor shall the payments provided by this Section 8 be reduced by the compensation earned by the Executive as an employee or consultant from such subsequent employment or consultancy.

9. *Non-Competition; Non-Solicitation; Confidentiality*. The Executive acknowledges and recognizes the highly competitive nature of the businesses of the Company and accordingly agrees as follows:

(a) *Non-Competition*. For a period of two years following the Date of Termination (the *"Restricted Period"*), regardless of the circumstances surrounding such termination of employment, the Executive will not, directly or indirectly, (i) engage in any

"Competitive Business" (as defined below) for the Executive's own account while he is in self-employment or acting as a sole proprietor, (ii) enter the employ of, or render any services to, any person engaged in a Competitive Business, (iii) acquire a financial interest in, or otherwise become actively involved with, any person engaged in a Competitive Business, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant, or (iv) interfere with business relationships (whether formed before or after the date of this Agreement) between the Company and customers or suppliers of the Company. For purposes of this Agreement, *"Competitive Business"* shall mean (x) any national securities exchange registered with the Securities and Exchange Commission, (y) any electronic communications network or (z) any other entity that engages in substantially the same business as the Company, in each case in North America or in any other location in which the Company operates. For purposes of this Agreement, *"person"* shall mean an individual, corporation, partnership, limited partnership, limited liability company, syndicate, person (including, without limitation, a "person" as defined in Section 13 (d)(3) of the Securities Exchange Act of 1934, as amended), trust, association or entity or government, political subdivision, agency or instrumentality of a government.

(b) *Non-Solicitation*. During the Restricted Period, the Executive will not, directly or indirectly, (i) interfere with any relationship between the Company and any of its employees, consultants, agents or representatives; (ii) employ or otherwise engage, or attempt to employ or otherwise engage, any current or former employee, consultant, agent or representative of the Company in any Competitive Business; (iii) solicit the business or account of the Company or any affiliate; or (iv) divert or attempt to divert from the Company any business or interfere with any relationship between the Company and any of its clients or customers.

(c) *Securities Ownership*. Notwithstanding anything to the contrary in this Agreement, the Executive may, directly or indirectly, own, solely as an investment, securities of any person engaged in the business of the Company which are publicly traded on a national or regional stock exchange or on the over-the-counter market if the Executive (i) is not a controlling person of, or a member of a group which controls, such person and (ii) does not, directly or indirectly, own one percent or more of any class of securities of such person.

(d) *Confidentiality*. The Executive hereby agrees that he will comply with the Company's general policies regarding confidentiality of information and processes. Without in any way limiting the foregoing sentence, the Executive further agrees that he will not, at any time during or after the Employment Term, make use of or divulge to any other person, firm or corporation any trade or business secret, process, method or means, or any other confidential information concerning the business or policies of the Company, which he may have learned in connection with his employment. For purposes of this Agreement, a "trade or business secret, process, method or means, or any other confidential information" shall mean and include written information treated as confidential or as a trade secret by the Company. The Executive's obligation under this Section 9(d) shall not apply to any information which (i) is known publicly; (ii) is in the public domain or hereafter enters the public domain without the fault of the Executive; (iii) is known to the Executive prior to his receipt of such information from the Company; or (iv) is hereafter disclosed to the Executive by a third party not under an obligation of confidence to the Company. The Executive agrees not to remove from the premises of the

Company, except as an employee of the Company in pursuit of the business of the Company or except as specifically permitted in writing by the Board, any document or other object containing or reflecting any such confidential information. The Executive recognizes that all such documents and objects, whether developed by him or by someone else, will be the sole exclusive property of the Company. Except as specifically authorized by the Board upon termination of his employment hereunder, the Executive shall forthwith deliver to the Company all such confidential information, including, without limitation, all lists of customers, correspondence, accounts, records and any other documents (whether or not electronically or digitally produced) or property made or held by him or under his control in relation to the business or affairs of the Company, and no copy of any such confidential information shall be retained by him.

(e) *Severability*. It is expressly understood and agreed that, although the Executive and the Company consider the restrictions contained in this Section 9 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against the Executive, the provisions of this Agreement shall not be rendered void, but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

10. *Nondisparagement*. The Executive agrees (whether during or after the Executive's employment with the Company) not to issue, circulate, publish or utter any false or disparaging statements, remarks or rumors about the Company or its shareholders unless giving truthful testimony under subpoena. The Company agrees (whether during or after the Executive's employment with the Company) not to issue, circulate, publish or utter any false or disparaging statements, remarks or rumors about the Executive unless giving truthful testimony under subpoena. Notwithstanding the foregoing, nothing in this Section 10 shall preclude either party from responding to correct false or disparaging statements, remarks or rumors, provided that the responsive statements do not criticize or ridicule and are not disparaging or derogatory.

11. *Specific Performance* The Executive acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 9 or Section 10 above would be inadequate and, in recognition of this fact, the Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

12. *Disputes*. Except as provided in Section 11 above, any future dispute, controversy or claim between the parties arising from or relating to this Agreement, its breach or any matter addressed by this Agreement shall be resolved through binding, confidential arbitration to be conducted by a panel of three arbitrators that is mutually agreeable to both the Executive and the Company, all in accordance with the arbitration rules of the American Arbitration Association set forth in its National Rules for the Resolution of Employment

Disputes then in effect (the *"AAA's Arbitration Rules"*). If the Executive and the Company cannot agree upon the panel of arbitrators, the arbitration shall be settled before a panel of three arbitrators, one to be selected by the Company, one by the Executive and the third to be selected by the two persons so selected, all in accordance with the AAA's Arbitration Rules. The arbitration proceeding shall be held in New York City or such other location as is mutually agreed in writing by the parties. The arbitrators shall base their award on the terms of this Agreement, and the arbitrators shall strictly follow the law and judicial precedents that a United States District Judge sitting in the Southern District of the State of New York would apply in the event the dispute were litigated in such court. The arbitration shall be governed by the substantive laws of the State of New York applicable to contracts made and to be performed therein, and by the arbitration law chosen by the arbitrators, and the arbitrators shall have no power or authority to order or grant any remedy or relief that a court could not order or grant under applicable law. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The Company shall bear the cost of the arbitrators. Costs and expenses associated with the arbitration that are not otherwise assignable to one of the parties shall be allocated equally between the parties. In every other respect, the parties shall each pay their own costs and expenses, including, without limitation, attorneys' fees and costs. Nothing contained in this Section 12 shall be construed to preclude the Company from exercising its rights under Section 11 above.

13. *Miscellaneous*.

(a) *Acceptance*. The Executive hereby represents and warrants, as a material inducement to the Company's agreement to enter into this Agreement, that there are no legal, contractual or other impediments, including, without limitation, restrictive covenants with a current or former employer, precluding the Executive from entering into this Agreement or from performing the services with the Company contemplated hereby. Any violation of this representation and warranty by the Executive shall render all of the obligations of the Company under this Agreement void *ab initio* and of no force and effect.

(b) *Entire Agreement; Amendments*. This Agreement amends and restates the Prior Agreement in its entirety and together with the Option Agreements and the Restricted Stock Agreements contain the entire understanding of the parties with respect to the employment of the Executive by the Company, excluding those parts of Exhibit B which are labeled as examples and are not binding on the parties, and shall supersede any and all previous contracts, arrangements or understandings between the Company and the Executive with respect to the subject matter set forth herein, including, without limitation, the Prior Agreement. There are no restrictions, agreements, promises, warranties, or covenants by and between the Company and the Executive and undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein. This Agreement may not be altered, modified or amended except by written instrument signed by the parties hereto.

(c) *No Waiver*. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

(d) *Severability*. In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby.

(e) *Successor; Assignment*. This Agreement is confidential and personal and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder. Without limiting the foregoing, the Executive's right to receive payments hereunder shall not be assignable or transferable whether by pledge, creation of a security interest or otherwise, other than a transfer by the Executive's will or by the laws of descent and distribution. In the event of any attempted assignment or transfer contrary to this Section 13(e), the Company shall have no liability to pay the assignee or transferee any amount so attempted to be assigned or transferred. The Company shall cause this Agreement to be assumed by any entity that succeeds to all or substantially all of the Company's business or assets and this Agreement shall be binding upon any successor to all or substantially all of the Company's business or assets; provided, however, that no such assumption shall release the Company of its obligations hereunder, to the extent not satisfied by such successor, without the Executive's prior written consent.

(f) *Confidentiality of Tax Treatment and Structure*. Notwithstanding anything herein to the contrary, each party and its representatives may consult any tax advisor regarding the tax treatment and tax structure of this Agreement and may disclose to any person, without limitation of any kind, the tax treatment and tax structure of this Agreement and all materials (including opinions or other tax analyses) that are provided relating to such treatment or structure.

(g) *Notice*. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the execution page of this Agreement, provided that all notices to the Company shall be directed to the attention of the General Counsel or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt:

if to the Company:

The Office of the General Counsel
The Nasdaq Stock Market, Inc.
One Liberty Plaza
New York, NY 10006

if to the Executive:

his address as shown in the records of the Company

(h) *Withholding Taxes*. The Company may withhold from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

(i) *Section 409A* . Notwithstanding any other provision of this Agreement, any payment or settlement triggered by termination of the Executive's employment with the Company shall not be made until six months and one day following Date of Termination if such delay is necessary to avoid the imposition of any tax, penalty or interest under Section 409A. The Company, after consulting with the Executive, may amend this Agreement or the terms of any award provided for herein in any manner that the Company considers necessary or advisable to ensure that cash compensation, equity awards or other benefits provided for herein are not subject to United States federal income tax, state or local income tax or any equivalent taxes in territories outside the United States prior to payment, exercise, vesting or settlement, as applicable, or any tax, interest or penalties pursuant to Section 409A. Any such amendments shall be made in a manner that preserves to the maximum extent possible the intended benefits to the Executive. This paragraph 13(i) does not create an obligation on the part of the Company to modify this Agreement and does not guarantee that the amounts or benefits owed under the Agreement will not be subject to interest and penalties under Section 409A.

(j) *Counterparts*. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

(k) *Governing Law*. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

* * *

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

EXECUTIVE

/s/ Robert Greifeld
Robert Greifeld

THE NASDAQ STOCK MARKET, INC.

By: /s/ H. F. Baldwin
H. F. Baldwin

Title: Chairman of the Board

Stock Option Agreements –
Principal Terms and Conditions

Option Term: Ten years from grant

Vesting: Annual vesting beginning on the first anniversary of grant in accordance with the following schedule:

Years Since Grant	Additional Vesting	Total Vested Options
1	8.33%	80,000
2	16.67%	240,000
3	25.0%	480,000
4	25.0%	720,000
5	16.67%	880,000
6	8.33%	960,000

Effect of Termination of Employment

- Termination for Cause by the Company or without Good Reason by the Executive
  - — Forfeit unvested option
  - — Vested options remain exercisable for 10 days following termination
- Termination without Cause by the Company or for Good Reason by the Executive
  - — Vesting of unvested options continues for 30 months after termination, subject to compliance with non-competition, non-solicitation, confidentiality and non-disparagement covenants
  - — All vested options (including accelerated vested options) remain exercisable for 36 months following termination
- Death and Disability
  - — Accelerate vesting of unvested stock options that would vest within 12 months of death or disability
  - — All vested options (including accelerated vested options) remain exercisable for 36 months following death or disability
- Retirement (as defined in Stock Plan)

- Vesting of unvested options continues for one year following retirement, subject to compliance with non-competition, non-solicitation, confidentiality and non-disparagement covenants
- All vested options (including due to continued vesting) remain exercisable for 36 months following retirement

- Non-renewal of Agreement by Company or by Executive
  - Unvested options continue to vest, subject to compliance with non-competition, non-solicitation, confidentiality and non-disparagement covenants
  - All vested options (including due to continued vesting) remain exercisable for 36 months following termination of employment

Performance Share Unit Agreements –
Principal Terms and Conditions

Performance Period: Three calendar years (i.e., January 1 to December 31)

Vesting: Continued employment until the last day of the performance period, except upon termination of employment under certain circumstances as set forth below, and achievement of performance goals

Conversion: Performance Share Units to be converted into equivalent number of shares of Company common stock in accordance with their terms

Performance Earnout Range

- 0% - 150% of shares granted
- 0% if performance below threshold
- 100% if performance is at target
- 150% is maximum for performance 50% above target

Example

The following is provided as an example of a way in which Performance Share Units may be designed. It is understood that each year, following consultation with the Executive, the Management Compensation Committee of the Company will determine the performance targets and the design of the Performance Share Units.

For performance levels between 50% below target and 50% above target, the number of shares earned will be calculated as a percentage equal to the percentage that actual performance is higher or lower than target. For example, if Target Performance is 12% Annual EPS Growth then:

Annual EPS Growth below 6% earns NO (-0-) shares
Annual EPS Growth equal to 6% earns 50% (40,000) of the granted shares
Annual EPS Growth equal to 9% earns 75% (60,000) of the granted shares
Annual EPS Growth equal to 12% earns 100% (80,000) of the granted shares
Annual EPS Growth equal to 15% earns 125% (100,000) of the granted shares
Annual EPS Growth equal to 18% or more earns 150% (120,000) of the granted shares

Performance Goals and Earnout Schedule

- Set by Compensation Committee within first three months of each performance period
- Performance measures and earnout schedule to be developed with input from Executive

Effect of Termination of Employment

- Termination for Cause by the Company or without Good Reasonby the Executive: forfeiture of performance share units for each ongoing performance period
- Termination without Cause by the Company or for Good Reason by the Executive: continued vesting of outstanding performance share units, subject to compliance with non-competition, non-solicitation, confidentiality and non-disparagement covenants, based on actual performance during performance period
- Death, disability, retirement (as defined in Stock Plan) and non-renewal of agreement by Company or by Executive: continued vesting of outstanding performance share units, subject to compliance with non-competition, non-solicitation, confidentiality and non-disparagement covenants, based on actual performance during performance period

Release of Claims

GENERAL RELEASE

WHEREAS, Robert Greifeld (hereinafter referred to as the *"Executive"*) and The Nasdaq Stock Market, Inc. (hereinafter referred to as *"Employer"*) are parties to an Employment Agreement, dated December __, 2006 (the *"Employment Agreement"*), which provided for the Executive's employment with Employer on the terms and conditions specified therein; and

WHEREAS, pursuant to paragraph 8(b)(i) of the Employment Agreement, the Executive has agreed to execute a release of the type and nature set forth herein as a condition to his entitlement to certain payments and benefits upon his termination of employment with Employer.

NOW, THEREFORE, in consideration of the premises and mutual promises herein contained and for other good and valuable consideration received or to be received by the Executive in accordance with the terms of the Employment Agreement, it is agreed as follows:

1. Excluding enforcement of the covenants, promises and/or rights reserved herein, the Executive hereby irrevocably and unconditionally releases, acquits and forever discharges Employer and each of Employer's owners, stockholders, predecessors, successors, assigns, directors, officers, employees, divisions, subsidiaries, affiliates (and directors, officers and employees of such companies, divisions, subsidiaries and affiliates) and all persons acting by, through, under or in concert with any of them (collectively *"Releasees"*), or any of them, from any and all charges, complaints, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred) of any nature whatsoever, known or unknown, suspected or unsuspected, including, but not limited to, rights arising out of alleged violations of any contracts, express or implied, any covenant of good faith and fair dealing, express or implied, or any tort or any legal restrictions on Employer's right to terminate employees, or any Federal, state or other governmental statute, regulation or ordinance, including, without limitation, Title VII of the Civil Rights Act of 1964, as amended, the Federal Age Discrimination In Employment Act of 1967 (*"ADEA"*), as amended, the Employee Retirement Income Security Act (*"ERISA"*), as amended, the Civil Rights Act of 1991, as amended, the Rehabilitation Act of 1973, as amended, the Older Workers Benefit Protection Act (*"OWBPA"*), as amended, the Worker Adjustment Retraining and Notification Act (*"WARN"*), as amended, the Fair Labor Standards Act (*"FLSA"*), as amended, the Occupational Safety and Health Act of 1970 (*"OSHA"*), the New York State Human Rights Law, as amended, the New York Labor Act, as amended, the New York Equal Pay Law, as amended, the New York Civil Rights Law, as amended, the New York Rights of Persons With Disabilities Law, as amended, and the New York Equal Rights Law, as amended, that the Executive now has, or has ever had, or ever will have, against each or any of the Releasees, by reason of any and all acts, omissions, events, circumstances or facts existing or occurring up through the date of the Executive's execution hereof that directly or indirectly arise out of, relate to, or are connected with, the

Executive's services to, or employment by Employer (any of the foregoing being a *"Claim"* or, collectively, the *"Claims"*); *provided* , *however* , that this release shall not apply to any of the obligations of Employer or any other Releasee under the Employment Agreement, or under any agreements, plans, contracts, documents or programs described or referenced in the Employment Agreement; and *provided* , *further* , that this release shall not apply to any rights the Executive may have to obtain contribution or indemnity against Employer or any other Releasee pursuant to contract, Employer's certificate of incorporation and by-laws or otherwise.

2. The Executive expressly waives and relinquishes all rights and benefits afforded by California Civil Code Section 1542 and does so understanding and acknowledging the significance of such specific waiver of Section 1542. Section 1542 states as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Thus, notwithstanding the provisions of Section 1542, and for the purpose of implementing a full and complete release and discharge of the Releasees, the Executive expressly acknowledges that this Agreement is intended to include in its effect, without limitation, all Claims that the Executive does not know or suspect to exist in the Executive's favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such Claim or Claims.

3. The Executive understands that he has been given a period of 21 days to review and consider this General Release before signing it pursuant to the Age Discrimination In Employment Act of 1967, as amended. The Executive further understands that he may use as much of this 21-day period as the Executive wishes prior to signing.

4. The Executive acknowledges and represents that he understands that he may revoke the waiver of his rights under the Age Discrimination In Employment Act of 1967, as amended, effectuated in this Agreement within 7 days of signing this Agreement. Revocation can be made by delivering a written notice of revocation to Office of the General Counsel, The Nasdaq Stock Market, Inc., One Liberty Plaza, New York, New York 10006. For this revocation to be effective, written notice must be received by the General Counsel no later than the close of business on the seventh day after the Executive signs this Agreement. If the Executive revokes the waiver of his rights under the Age Discrimination In Employment Act of 1967, as amended, Employer shall have no obligations to the Executive under paragraph 8(b)(i) of the Employment Agreement.

5. The Executive and Employer respectively represent and acknowledge that in executing this Agreement neither of them is relying upon, and has not relied upon, any representation or statement not set forth herein made by any of the agents, representatives or attorneys of the Releasees with regard to the subject matter, basis or effect of this Agreement or otherwise.

6. This Agreement shall not in any way be construed as an admission by any of the Releasees that any Releasee has acted wrongfully or that the Executive has any rights whatsoever against any of the Releasees except as specifically set forth herein, and each of the Releasees specifically disclaims any liability to any party for any wrongful acts.

7. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under law. Should there be any conflict between any provision hereof and any present or future law, such law will prevail, but the provisions affected thereby will be curtailed and limited only to the extent necessary to bring them within the requirements of law, and the remaining provisions of this Agreement will remain in full force and effect and be fully valid and enforceable.

8. The Executive represents and agrees (a) that the Executive has to the extent he desires discussed all aspects of this Agreement with his attorney, (b) that the Executive has carefully read and fully understands all of the provisions of this Agreement, and (c) that the Executive is voluntarily entering into this Agreement.

9. This General Release shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to the conflicts of laws principles thereof or to those of any other jurisdiction which, in either case, could cause the application of the laws of any jurisdiction other than the State of New York. This General Release is binding on the successors and assigns of, and sets forth the entire agreement between, the parties hereto; fully supersedes any and all prior agreements or understandings between the parties hereto pertaining to the subject matter hereof; and may not be changed except by explicit written agreement to that effect subscribed by the parties hereto.

PLEASE READ CAREFULLY. THIS GENERAL RELEASE INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

This General Release is executed by the Executive and Employer as of the ____ day of _____, 20__.

_____
Robert Greifeld

THE NASDAQ STOCK MARKET, INC.

By: _____
Name: H. F. Baldwin
Title: Chairman of the Board

Additional Reimbursement Payment by the Company

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment, award, benefit or distribution (or any acceleration of any payment, award, benefit or distribution) by the Company (or any of its affiliated entities) or any entity which effectuates a Change in Control (or any of its affiliated entities) to or for the benefit of Executive (whether pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Exhibit D) (the "Payments") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Company shall pay to Executive an additional payment (a "Reimbursement Payment") in an amount such that after payment by Executive of all taxes (including, without limitation, any income taxes and any interest and penalties imposed with respect thereto, and any excise tax) imposed upon the Reimbursement Payment, Executive retains an amount of the Reimbursement Payment equal to the Excise Tax imposed upon the Payments. For purposes of determining the amount of the Reimbursement Payment, Executive shall be deemed to (i) pay federal income taxes at the highest marginal rates of federal income taxation for the calendar year in which the Reimbursement Payment is to be made and (ii) pay applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Reimbursement Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. Notwithstanding the foregoing, in no event shall the amount of the Reimbursement Payment exceed 300% of the amount that is equal to the sum of (A) the Base Salary paid to the Executive with respect to the calendar year immediately preceding the Executive's Date of Termination and (B) the Annual Bonus for the calendar year immediately preceding the Executive's Date of Termination.

Notwithstanding the foregoing, if it shall be determined that Executive is entitled to a Reimbursement Payment, but that the portion of the Payments that would be treated as "parachute payments" under Section 280G of the Code are less than 330% of the "base amount" as defined under Section 280G of the Code, then the amounts payable to Executive under this Agreement shall be reduced (but not below zero) to the maximum amount that could be paid to Executive without giving rise to the Excise Tax (the "Safe Harbor Cap"), and no Reimbursement Payment shall be made to Executive. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing first the payments under Section 8(g)(i)(A), unless an alternative method of reduction is elected by Executive. For purposes of reducing the Payments to the Safe Harbor Cap, only amounts payable under this Agreement (and no other Payments) shall be reduced. If the reduction of the amounts payable hereunder would not result in a reduction of the Payments to the Safe Harbor Cap, no amounts payable under this Agreement shall be reduced pursuant to this provision.

(b) Subject to the provisions of paragraph (a), all determinations required to be made under this Exhibit D, including whether and when a Reimbursement Payment is required, the amount of such Reimbursement Payment, the amount of any Option Redetermination (as defined below), the reduction of the Payments to the Safe Harbor Cap and the assumptions to be utilized in arriving at such determinations, shall be made by the public accounting firm that is retained by the Company as of the date immediately prior to the Change in Control (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within ten (10) business days of the receipt of notice from the Company or Executive that there has been a Payment, or such earlier time as is requested by the Company (collectively, the "Determination"). Notwithstanding the foregoing, in the event (i) the Board shall determine prior to the Change in Control that the Accounting Firm is precluded from performing such services under applicable auditor independence rules or (ii) the Audit Committee of the Board determines that it does not want the Accounting Firm to perform such services because of auditor independence concerns or (iii) the Accounting Firm is serving as accountant or auditor for the person(s) effecting the Change in Control, the Board shall appoint another nationally recognized public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company and the Company shall enter into any agreement requested by the Accounting Firm in connection with the performance of the services hereunder.

The Reimbursement Payment under this Exhibit D with respect to any Payments shall be made no later than thirty (30) days following such Payment. If the Accounting Firm determines that no Excise Tax is payable by Executive, it shall furnish Executive with a written opinion to such effect, and to the effect that failure to report the Excise Tax, if any, on Executive's applicable federal income tax return will not result in the imposition of a negligence or similar penalty. In the event the Accounting Firm determines that the Payments shall be reduced to the Safe Harbor Cap, it shall furnish Executive with a written opinion to such effect. The Determination by the Accounting Firm shall be binding upon the Company and Executive.

As a result of the uncertainty in the application of Section 4999 of the Code at the time of the Determination, it is possible that Reimbursement Payments which will not have been made by the Company should have been made ("Underpayment") or Reimbursement Payments are made by the Company which should not have been made ("Overpayment"), consistent with the calculations required to be made hereunder. In the event the amount of the Reimbursement Payment is less than the amount necessary to reimburse Executive for the Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) shall be promptly paid by the Company to or for the benefit of Executive. In the event the amount of the Reimbursement Payment exceeds the amount necessary to reimburse Executive for the Excise Tax, the Accounting Firm shall determine the amount of the Overpayment that has been made and any such Overpayment (together with interest at the rate provided in Section 1274(b)(2) of the Code) shall be promptly paid by Executive (to the extent Executive has received a refund if the applicable Excise Tax has been paid to the Internal Revenue Service) to or for the benefit of the Company. Executive shall cooperate, to the extent Executive's expenses are reimbursed by the Company, with any reasonable requests by the Company in connection

with any contests or disputes with the Internal Revenue Service in connection with the Excise Tax.

(c) In the event that the Company makes a Reimbursement Payment to Executive and subsequently the Company determines that the value of any accelerated vesting of stock options held by Executive shall be redetermined pursuant to Treasury Regulation §1.280G-1 Q/A 33 (the "Option Redetermination"), Executive shall (i) file with the Internal Revenue Service an amended federal income tax return that claims a refund of the overpayment of the Excise Tax attributable to such Option Redetermination and (ii) promptly pay to the Company any excise tax which is refunded to Executive; provided, that the Company shall pay all reasonable professional fees incurred in the preparation of Executive's amended federal income tax return. If the Option Redetermination occurs in the same year that the Reimbursement Payment is included in the Executive's taxable income, then in addition to returning the refund to the Company, Executive will also promptly return to the Company any tax benefit realized by the return of such refund and the return of the additional tax benefit payment. In the event that amounts payable to Executive under this Agreement were reduced pursuant to the third sentence of this Exhibit D and subsequently Executive determines there has been an Option Redetermination that reduces the value of the Payments attributable to such options, the Company shall promptly pay to Executive any amounts payable under this Agreement that were not previously paid solely as a result of such third sentence of Exhibit D up to the Safe Harbor Cap. All determinations pursuant to this paragraph (c) shall be made by the Accounting Firm.

Exhibit 12.1

The Nasdaq Stock Market, Inc.
Computation of Ratio of Earnings to Fixed Charges
(Dollars in Thousands)
Unaudited

	Year Ended December 31,				
	2006	2005	2004	2003	2002
Pre-tax income (loss) from continuing operations	$213,145[1]	$106,262[2]	$ 2,553[3]	$(66,352) [4]	$105,942
Add: fixed charges	91,097	20,338	11,789	19,042	18,958
Pre-tax income (loss) before fixed charges	304,242	126,600	14,342	(47,310)	124,900
Fixed charges:					
Interest expense	91,097	20,338	11,484	18,555	18,488
Other	—	—	305	487	470
Total fixed charges	91,097	20,338	11,789	19,042	18,958
Preferred stock dividend requirements	359	3,220	8,354	8,279	—
Total combined fixed charges and preferred stock dividends	$ 91,456	$ 23,558	$20,143	$ 27,321	$ 18,958
Ratio of earnings to fixed charges	3.34	6.22	1.22	(2.48)	6.59
Ratio of earnings to fixed charges and preferred stock dividends	3.33	5.37	0.71	(1.73)	6.59

(1) Includes costs of $40,900 associated with Nasdaq's 2006 cost reductions.
(2) Includes net costs of $20,000 associated with Nasdaq's 2005 cost reductions.
(3) Includes costs of $62,600 associated with Nasdaq's 2004 cost reductions.
(4) Includes costs of $97,910 associated with Nasdaq's strategic review in 2003.

Exhibit 21.1

SUBSIDIARIES

1. Nasdaq Global Funds, Inc. (incorporated in Delaware)
2. Nasdaq International Marketing Initiatives, Inc. (incorporated in Delaware)
3. Nasdaq Canada Inc. (organized in Canada)
4. Nasdaq LTDA (incorporated in Brazil)
5. Nasdaq International Limited (organized in the United Kingdom)
6. The Nasdaq Stock Market Educational Foundation, Inc. (incorporated in Delaware) (non-profit)
7. Carpenter Moore Insurance Services Ltd (organized in the United Kingdom)
8. Nasdaq Technology Services, LLC (organized in Delaware)
9. Toll Associates, LLC (organized in Delaware)
10. Brut, Inc. (incorporated in Delaware)
11. Nasdaq Execution Services, LLC (organized in Delaware)
12. Nasdaq Services, LLC (organized in Delaware)
13. Carpenter Moore Insurance Services, Inc. (incorporated in California)
14. Carpenter Moore (San Francisco) LLC (organized in Delaware)
15. Direct Report Corporation (incorporated in Delaware)
16. Independent Research Network, LLC (60% owned by the Company) (organized in Delaware)
17. Inet Holding Company LLC (organized in Delaware)
18. Inet Futures Exchange, LLC (organized in Delaware)
19. Inet Stock Exchange, LLC (organized in Delaware)
20. INET Technology Services, LLC (organized in Delaware)
21. INET Clearing, LLC (organized in Delaware)
22. NASDAQ Options Services, LLC (organized in Delaware)
23. Nasdaq Global Funds (Ireland) Limited (organized in Ireland)
24. Norway Acquisition LLC (organized in Delaware)
25. Shareholder.com, Inc. (incorporated in Delaware)
26. Shareholder.com B.V. (organized in the Netherlands)
27. The NASDAQ Stock Market LLC (organized in Delaware)
28. PrimeNewswire, Inc. (incorporated in California)
29. The Trade Reporting Facility, LLC (organized in Delaware)
30. Nightingale Acquisition Limited (organized in the United Kingdom)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Annual Report (Form 10-K) of The Nasdaq Stock Market, Inc. of our report dated February 20, 2007, with respect to the consolidated financial statements of The Nasdaq Stock Market, Inc., included in the 2006 Annual Report to Shareholders of The Nasdaq Stock Market, Inc.

Our audits also included the financial statement schedule of The Nasdaq Stock Market, Inc. listed in Item 15. This schedule is the responsibility of The Nasdaq Stock Market, Inc.'s management. Our responsibility is to express an opinion based on our audits. In our opinion, as to which the date is February 20, 2007, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-131373) of The Nasdaq Stock Market, Inc.,

(2) Registration Statement (Form S-8 No. 333-110602) pertaining to The Nasdaq Stock Market, Inc. Equity Incentive Plan,

(3) Registration Statement (Form S-8 No. 333-106945) pertaining to the Employment Agreement with Robert Greifeld of The Nasdaq Stock Market, Inc.,

(4) Registration Statement (Form S-8 No. 333-76064) pertaining to The Nasdaq Stock Market, Inc. 2000 Employee Stock Purchase Plan.

(5) Registration Statement (Form S-8 No. 333-72852) pertaining to The Nasdaq Stock Market, Inc. 2000 Employee Stock Purchase Plan, and

(6) Registration Statement (Form S-8 No. 333-70992) pertaining to The Nasdaq Stock Market, Inc. Equity Incentive Plan;

of our report dated February 20, 2007, with respect to the consolidated financial statements of The Nasdaq Stock Market, Inc. incorporated herein by reference, our report dated February 20, 2007, with respect to The Nasdaq Stock Market, Inc.'s management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting of The Nasdaq Stock Market, Inc., included herein, and our report included in the preceding paragraph with respect to the financial statement schedule of The Nasdaq Stock Market, Inc. included in this Annual Report (Form 10-K) of The Nasdaq Stock Market, Inc.

/s/ Ernst & Young LLP

New York, New York
February 28, 2007

Exhibit 24.1

POWER OF ATTORNEY
ANNUAL REPORT ON FORM 10-K
THE NASDAQ STOCK MARKET, INC.

Know all men by these presents, that the undersigned, a director of The Nasdaq Stock Market, Inc., a Delaware Corporation, hereby constitutes and appoints Edward S. Knight and Joan C. Conley, and each of them acting individually, the undersigned's true and lawful attorneys-in-fact and agents, each with full power and substitution and resubstitution, for him and in his name, place, and stead, in any case and all capacities to:

(1) execute for and on behalf of the undersigned, an Annual Report on Form 10-K of The Nasdaq Stock Market, Inc. for the fiscal year ended December 31, 2006, including any and all amendments and additions thereto (collectively, the "Annual Report") in accordance with the Securities Exchange Act of 1934, as amended, and the rules thereunder;

(2) do and perform any and all acts for and on behalf of the undersigned which may be necessary or desirable to file, or cause to be filed, the Annual Report with all exhibits thereto (including this Power of Attorney), and other documents in connection therewith, with the United States Securities and Exchange Commission; and

(3) take any other action or any type whatsoever in connection with the foregoing which, in the opinion of such attorneys-in-fact, may be of benefit to, in the best interest of, or legally required by, the undersigned, it being understood that the documents executed by such attorneys-in-fact on behalf of the undersigned pursuant to this Power of Attorney shall be in such form and shall contain such terms and conditions as such attorneys-in-fact may approve in such attorneys-in-fact's discretion.

The undersigned hereby grants to each attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever requisite, necessary or proper to be done in the exercise of any of the rights and powers herein granted, as fully to all intents and purposes as the undersigned might or could do if personally present, with full power of substitution or revocation, hereby ratifying and confirming all that such shall lawfully do or cause to be done by virtue of this Power of Attorney and the rights and powers herein granted.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of February 16, 2007.

/s/ H. Furlong Baldwin
Signature

POWER OF ATTORNEY
ANNUAL REPORT ON FORM 10-K
THE NASDAQ STOCK MARKET, INC.

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of February 19, 2007.

/s/ Michael Casey
Signature

POWER OF ATTORNEY
ANNUAL REPORT ON FORM 10-K
THE NASDAQ STOCK MARKET, INC.

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of February 21, 2007.

/s/ Daniel B. Coleman
Signature

POWER OF ATTORNEY
ANNUAL REPORT ON FORM 10-K
THE NASDAQ STOCK MARKET, INC.

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of February 21, 2007.

/s/ Lon Gorman
Signature

POWER OF ATTORNEY
ANNUAL REPORT ON FORM 10-K
THE NASDAQ STOCK MARKET, INC.

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of February 21, 2007.

/s/ Patrick J. Healy
Signature

POWER OF ATTORNEY
ANNUAL REPORT ON FORM 10-K
THE NASDAQ STOCK MARKET, INC.

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of February 22, 2007.

/s/ Glenn H. Hutchins
Signature

POWER OF ATTORNEY
ANNUAL REPORT ON FORM 10-K
THE NASDAQ STOCK MARKET, INC.

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of February 22, 2007.

/s/ Merit E. Janow
Signature

POWER OF ATTORNEY
ANNUAL REPORT ON FORM 10-K
THE NASDAQ STOCK MARKET, INC.

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of February 20, 2007.

/s/ John D. Markese
Signature

POWER OF ATTORNEY
ANNUAL REPORT ON FORM 10-K
THE NASDAQ STOCK MARKET, INC.

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of February 16, 2007.

/s/ Thomas F. O'Neill
Signature

POWER OF ATTORNEY
ANNUAL REPORT ON FORM 10-K
THE NASDAQ STOCK MARKET, INC.

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of February 20, 2007.

/s/ James S. Riepe
Signature

POWER OF ATTORNEY
ANNUAL REPORT ON FORM 10-K
THE NASDAQ STOCK MARKET, INC.

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of February 22, 2007.

/s/ Arvind Sodhani
Signature

POWER OF ATTORNEY
ANNUAL REPORT ON FORM 10-K
THE NASDAQ STOCK MARKET, INC.

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of February 21, 2007.

/s/ Thomas G. Stemberg
Signature

POWER OF ATTORNEY
ANNUAL REPORT ON FORM 10-K
THE NASDAQ STOCK MARKET, INC.

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IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of February 20, 2007.

/s/ Deborah L. Wince-Smith
Signature

Exhibit 31.1

CERTIFICATION

I, Robert Greifeld, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Nasdaq Stock Market, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Robert Greifeld
Name: Robert Greifeld
Title: President and Chief Executive Officer

Date: February 28, 2007

Exhibit 31.2

CERTIFICATION

I, David P. Warren, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Nasdaq Stock Market, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David P. Warren

Name: David P. Warren
Title: Executive Vice President and Chief Financial Officer

Date: February 28, 2007

Exhibit 32.1

Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of The Nasdaq Stock Market, Inc. (the "Company") for the year ended December 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Robert Greifeld, as President and Chief Executive Officer of the Company and David P. Warren, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

/s/ Robert Greifeld
Name: Robert Greifeld
Title: President and Chief Executive Officer
Date: February 28, 2007

/s/ David P. Warren
Name: David P. Warren
Title: Executive Vice President and Chief Financial Officer
Date: February 28, 2007

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of § 18 of the Securities Exchange Act of 1934, as amended.