

NASDAQ STOCK MARKET INC

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2007**

OR

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

For the transition period from _____ to _____

Commission file number: **000-32651**

The Nasdaq Stock Market, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

52-1165937
(I.R.S. Employer
Identification No.)

One Liberty Plaza, New York, New York
(Address of Principal Executive Offices)

10006
(Zip Code)

Registrant's telephone number, including area code:
(212) 401-8700

No Changes
(Former name, former address and former fiscal year, if changed since last report)

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

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

Large accelerated filer 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

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 July 24, 2007
Common Stock, \$.01 par value per share	113,028,419 shares

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**The Nasdaq Stock Market, Inc.
Form 10-Q
For the Quarterly Period Ended June 30, 2007**

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About This Form 10-Q

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

This Quarterly Report on Form 10-Q includes market share and industry data that we obtained from industry publications and surveys, reports of governmental agencies and internal company surveys. Industry publications and surveys generally state that the information they contain has been obtained from sources believed to be reliable, but we cannot assure you that this information is accurate or complete. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position are based on the most currently available market data. For market comparison purposes, data in this Quarterly Report on Form 10-Q for initial public offerings, or IPOs, is based on data provided by Thomson Financial, which does not include best efforts underwritings, and we have chosen to exclude closed-end funds; therefore, the data may not be comparable to other publicly-available initial public offering data. Data in this Quarterly Report on Form 10-Q for secondary offerings is also based on data provided by Thomson Financial. Data in this Quarterly Report on Form 10-Q for new listings of equity securities on The Nasdaq Stock Market is based on data generated internally by us, which includes best efforts underwritings and issuers that switched from other listing venues, closed-end funds and exchange traded funds, or ETFs. IPOs, secondary offerings and new listings data is presented as of period end. While we are not aware of any misstatements regarding industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2006.

Forward-Looking Statements

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

- *2007 outlook;*
- *the scope, nature or impact of the proposed combination with OMX AB (publ) a public company organized under the laws of Sweden, or OMX, and other acquisitions, dispositions, investments or other transactional activities;*
- *the effective dates for and expected benefits of ongoing initiatives; and*
- *the outcome of any litigation and/or government investigation to which we are a party and other contingencies.*

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

- *our operating results may be lower than expected;*
- *loss of significant trading volume or listed companies;*
- *our ability to implement our strategic initiatives and any consequences from our pursuit of our corporate strategy, including the proposed offer for the outstanding shares of OMX;*
- *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 our Annual Report on Form 10-K for the year ended December 31, 2006. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. You should carefully read this entire Form 10-Q, including "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," and our condensed consolidated financial statements and the related notes. Except as required by the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The Nasdaq Stock Market, Inc.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.
The Nasdaq Stock Market, Inc.
Condensed Consolidated Statements of Income
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenues				
Market Services	\$ 487,390	\$ 347,587	\$ 982,883	\$ 684,888
Issuer Services	70,742	63,380	137,093	122,258
Other	69	65	171	332
Total revenues	558,201	411,032	1,120,147	807,478
Cost of revenues				
Liquidity rebates	(238,313)	(170,633)	(463,503)	(337,831)
Brokerage, clearance and exchange fees	(121,208)	(69,248)	(265,898)	(136,479)
Total cost of revenues	(359,521)	(239,881)	(729,401)	(474,310)
Revenues less liquidity rebates, brokerage, clearance and exchange fees	198,680	171,151	390,746	333,168
Operating Expenses				
Compensation and benefits	49,704	48,018	93,977	96,886
Marketing and advertising	4,227	3,820	9,101	8,851
Depreciation and amortization	9,796	21,471	19,635	46,019
Professional and contract services	8,652	7,299	17,034	16,202
Computer operations and data communications	7,916	10,264	16,112	20,216
Provision for bad debts	(1,359)	1,843	2,130	1,892
Occupancy	8,975	8,208	17,840	16,185
Regulatory	7,112	—	13,835	—
General, administrative and other	4,721	24,793	20,781	31,555
Total direct expenses	99,744	125,716	210,445	237,806
Support costs from related parties, net	—	9,105	—	17,222
Total operating expenses	99,744	134,821	210,445	255,028
Operating income	98,936	36,330	180,301	78,140
Interest income	7,695	6,275	13,318	10,753
Interest expense	(23,586)	(24,406)	(47,054)	(40,850)
Loss on foreign currency option contracts	(1,668)	—	(9,509)	—
Dividend income	14,540	9,223	14,540	9,223
Strategic initiative costs	(1,584)	—	(26,511)	—
Minority interest	—	317	96	453
Income before income taxes	94,333	27,739	125,181	57,719
Income tax provision	38,205	11,095	50,736	23,087
Net income	\$ 56,128	\$ 16,644	\$ 74,445	\$ 34,632
Net income applicable to common stockholders:				
Net income	\$ 56,128	\$ 16,644	\$ 74,445	\$ 34,632
Preferred stock:				
Dividends declared	—	—	—	(359)
Accretion of preferred stock	—	—	—	(331)
Net income applicable to common stockholders	\$ 56,128	\$ 16,644	\$ 74,445	\$ 33,942
Basic and diluted earnings per share:				
Basic	\$ 0.50	\$ 0.16	\$ 0.66	\$ 0.35
Diluted	\$ 0.39	\$ 0.13	\$ 0.52	\$ 0.28

See accompanying notes to condensed consolidated financial statements.

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The Nasdaq Stock Market, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and par value amounts)

	June 30, 2007 (Unaudited)	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 574,998	\$ 321,995
Available-for-sale investments, at fair value	1,694,984	1,628,209
Receivables, net	284,606	233,266
Deferred tax assets	18,039	11,098
Other current assets	40,085	117,978
Total current assets	<u>2,612,712</u>	<u>2,312,546</u>
Property and equipment, net	60,537	65,269
Non-current deferred tax assets	100,844	96,986
Goodwill	1,029,031	1,028,746
Intangible assets, net	189,794	199,619
Other assets	12,395	13,286
Total assets	<u>\$4,005,313</u>	<u>\$3,716,452</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 124,309	\$ 110,649
Section 31 fees payable to SEC	132,279	60,104
Accrued personnel costs	34,112	55,565
Deferred revenue	128,671	56,447
Other accrued liabilities	60,367	72,096
Deferred tax liabilities	131,869	94,993
Current portion of debt obligations	10,681	10,681
Total current liabilities	622,288	460,535
Debt obligations	1,487,795	1,492,947
Non-current deferred tax liabilities	95,342	115,791
Non-current deferred revenue	96,120	90,644
Other liabilities	100,796	99,084
Total liabilities	2,402,341	2,259,001
Minority interest	—	96
Stockholders' equity		
Common stock, \$0.01 par value, 300,000,000 shares authorized, shares issued: 130,713,703 at June 30, 2007 and 130,708,873 at December 31, 2006; shares outstanding: 112,921,954 at June 30, 2007 and 112,317,987 at December 31, 2006	1,307	1,307
Additional paid-in capital	1,056,588	1,046,599
Common stock in treasury, at cost: 17,791,749 shares at June 30, 2007 and 18,390,886 shares at December 31, 2006	(231,871)	(239,752)
Accumulated other comprehensive income	190,507	136,204
Retained earnings	586,441	512,997
Total stockholders' equity	<u>1,602,972</u>	<u>1,457,355</u>
Total liabilities, minority interest and stockholders' equity	<u>\$4,005,313</u>	<u>\$3,716,452</u>

See accompanying notes to condensed consolidated financial statements.

The Nasdaq Stock Market, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Six Months Ended June 30,	
	2007	2006
Reconciliation of net income to cash provided by operating activities		
Net income	\$ 74,445	\$ 34,632
Non-cash items included in net income:		
Depreciation and amortization	19,635	46,019
Share-based compensation	7,564	5,444
Income tax benefit related to share-based compensation	(4,568)	(18,991)
Provision for bad debts	2,130	1,892
Loss on the early extinguishment and refinancing of debt obligations	—	20,884
Loss on foreign currency option contracts	9,509	—
Deferred taxes, net	(32,723)	(1,351)
Loss on the write-down of assets held-for-sale	—	5,407
Clearing contract charge	10,620	—
Strategic initiative costs	26,511	—
Other non-cash items included in net income	2,703	913
Net change in operating assets and liabilities, net of effects of acquisitions:		
Receivables, net	(48,806)	(3,561)
Other assets	(9,901)	(13,137)
Accounts payable and accrued expenses	6,078	(4,534)
Section 31 fees payable to SEC	72,175	—
Accrued personnel costs	(21,452)	(19,486)
Deferred revenue	77,700	66,091
Other accrued liabilities	(2,287)	(13,761)
Payables to related parties	—	(9,068)
Other liabilities	(9,036)	(1,910)
Cash provided by operating activities	<u>180,297</u>	<u>95,483</u>
Cash flows from investing activities		
Proceeds from redemptions of available-for-sale investments	30,100	392,395
Purchases of available-for-sale investments, net of capital return from the LSE in 2006	(53,532)	(1,487,983)
Purchases of foreign currency option contracts	(12,988)	—
Settlement of foreign currency option contracts	63,900	—
Proceeds from maturities of available-for-sale investments	47,910	28,750
Acquisitions of businesses, net of cash and cash equivalents acquired	—	(38,060)
Purchases of property and equipment	(7,776)	(5,989)
Other	127	298
Cash provided by (used in) investing activities	<u>67,741</u>	<u>(1,110,589)</u>
Cash flows from financing activities		
Proceeds from debt obligations	—	1,850,000
Payments of debt obligations	(5,341)	(1,418,204)
Net proceeds from equity offerings	—	972,719
Issuances of common stock, net of treasury stock purchases	5,738	20,239
Series C Cumulative preferred stock redemptions and dividends	—	(105,059)
Income tax benefit related to share-based compensation	4,568	18,991
Cash provided by financing activities	<u>4,965</u>	<u>1,338,686</u>
Increase in cash and cash equivalents	<u>253,003</u>	<u>323,580</u>
Cash and cash equivalents at beginning of period	<u>321,995</u>	<u>165,237</u>
Cash and cash equivalents at end of period	<u>\$574,998</u>	<u>\$ 488,817</u>
Supplemental Disclosure Cash Flow Information		
Cash paid for:		
Interest	\$ 48,932	\$ 26,373
Income taxes, net of refund	\$ 62,118	\$ 19,724

See accompanying notes to condensed consolidated financial statements.

The Nasdaq Stock Market, Inc.

Notes to Condensed Consolidated Financial Statements

1. Organization and Basis of Presentation

Organization

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

Prior to December 20, 2006 we were a subsidiary of National Association of Securities Dealers, Inc., or NASD. NASD maintained voting control over us through its ownership of 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 process of our becoming fully operational as a registered national securities exchange, we redeemed for \$1.00 the one share of Series D preferred stock previously held by NASD. NASD achieved full divestiture of ownership of our common stock, with the sale of all of its remaining shares of our common stock in July 2006.

Basis of Presentation

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

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

Recent Accounting Pronouncement

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

2. Goodwill and Purchased Intangible Assets

Goodwill

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

	<u>Market Services</u>	<u>Issuer Services</u> (in thousands)	<u>Total</u>
Balance at December 31, 2006	\$964,985	\$63,761	\$1,028,746
Purchase accounting adjustments	1,062	(777)	285
Balance at June 30, 2007	<u>\$966,047</u>	<u>\$62,984</u>	<u>\$1,029,031</u>

The purchase accounting adjustments for Market Services primarily relate to a decrease in the amount of expected tax benefits to be realized from the sale of the Institutional Brokerage division based on a review of the tax basis of the assets sold. In connection with the INET acquisition, this division was sold to an affiliate of Silver Lake Partners, or SLP. The purchase accounting adjustments for Issuer Services primarily relate to the Shareholder.com acquisition.

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Purchased Intangible Assets

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

	June 30, 2007			December 31, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets	Gross Carrying Amount	Accumulated Amortization	Net Intangible Assets
	(in thousands)					
Technology	\$ 28,659	\$ (19,353)	\$ 9,306	\$ 28,659	\$ (18,108)	\$ 10,551
Customer relationships	205,500	(28,834)	176,666	205,500	(20,972)	184,528
Other ⁽¹⁾	5,640	(1,818)	3,822	5,640	(1,100)	4,540
Total	<u>\$239,799</u>	<u>\$ (50,005)</u>	<u>\$189,794</u>	<u>\$239,799</u>	<u>\$ (40,180)</u>	<u>\$199,619</u>

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

Amortization expense for purchased intangible assets was \$4.9 million for the three months ended June 30, 2007 and \$9.8 million for the six months ended June 30, 2007 compared to \$9.2 million for the three months ended June 30, 2006 and \$18.4 million for the six months ended June 30, 2006. The decrease in expense in 2007 is primarily due to a change in the estimated useful life of technology assets in December 2005 as a result of our acquisition of INET and migration to a single trading platform. These assets were fully amortized in the third quarter of 2006.

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

	(in thousands)
2007	\$ 9,736
2008	19,383
2009	19,341
2010	19,050
2011	16,818
2012 and thereafter	103,066
Total	<u>\$ 187,394</u>

3. Cost Reduction Program and INET Integration

We incurred charges of approximately \$2.0 million in the second quarter of 2007 and \$4.1 million in the six months ended June 30, 2007 in connection with actions we took to improve our operational efficiency as well as to integrate INET. We incurred similar charges of approximately \$17.9 million in the second quarter of 2006 and \$31.5 million in the six months ended June 30, 2006. Charges associated with our cost reduction program have ceased during the second quarter of 2007. Charges associated with our integration of INET ceased during the first quarter of 2007. The following table summarizes these charges which are included in the Condensed Consolidated Statements of Income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(in millions)			
Real estate consolidation	\$ —	\$ 5.4	\$ —	\$ 5.4
Reductions in force	1.1	2.6	2.5	4.3
Technology migration	0.9	9.9	1.6	21.8
Total cost reduction charges	<u>\$ 2.0</u>	<u>\$ 17.9</u>	<u>\$ 4.1</u>	<u>\$ 31.5</u>

Real Estate Consolidation

In connection with our review of our owned and leased real estate which began in 2003, we have consolidated staff into fewer locations and have saved significant costs. As part of our real estate consolidation plans, in the second quarter of 2006, we decided to sell our building and related assets located at 80 Merritt Boulevard, Trumbull, Connecticut. As a result of this decision, the carrying value of the building and related assets was adjusted to its fair market less costs to sell amounting to

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\$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 which is included in general, administrative and other expense in the Condensed Consolidated Statements of Income. 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. There were no charges related to real estate consolidation in 2007.

Reductions in Force

We eliminated 15 positions in the second quarter of 2007 and 42 positions in the second quarter of 2006 and recorded charges of \$1.1 million in the second quarter of 2007 and \$2.6 million in the second quarter of 2006 for severance and outplacement costs. We eliminated 35 positions in the six months ended June 30, 2007 and 64 positions in the six months ended June 30, 2006 and recorded charges of \$2.5 million in the six months ended June 30, 2007 and \$4.3 million in the six months ended June 30, 2006 for similar costs. These charges were included in compensation and benefits expense in the Condensed Consolidated Statements of Income. We paid approximately \$1.3 million during the second quarter of 2007 and \$1.6 million during the second quarter of 2006 and \$2.8 million during the six months ended June 30, 2007 and \$2.7 million during the six months ended June 30, 2006 for these severance and outplacement costs. We expect to pay the remainder of the severance and outplacement costs relating to these reductions in force totaling \$2.2 million through the second quarter of 2008.

Technology Migration

As a result of a continued review of our technology infrastructure, we previously shortened in 2005 the estimated useful life of certain assets and changed the lease terms on certain operating leases associated with our quoting platform and our trading and quoting network, which resulted in incremental depreciation and amortization expense. The INET integration, which is now complete, accelerated our migration to a low-cost trading platform. As a result, the charges associated with these assets were \$0.9 million for the second quarter of 2007 and \$1.6 million in the six months ended June 30, 2007 and the majority of the charges were included in depreciation and amortization expense in the Condensed Consolidated Statements of Income. The charges associated with these assets for the second quarter of 2006 were \$9.9 million and \$21.8 million in the six months ended June 30, 2006 and the majority of these charges were included in depreciation and amortization expense in the Condensed Consolidated Statements of Income.

4. Investments

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

June 30, 2007	Cost	Gross Unrealized Gains (Losses) (in thousands)	Estimated Fair Market Value
U.S. treasury securities and obligations of U.S. government agencies	\$ 4,000	\$ (5)	\$ 3,995
Corporate bonds	23,300	—	23,300
Total available-for-sale debt securities	27,300	(5)	27,295
Investment in the London Stock Exchange Group plc, or the LSE	1,334,846	332,843 ⁽¹⁾	1,667,689
Total	<u>\$1,362,146</u>	<u>\$332,838</u>	<u>\$1,694,984</u>

⁽¹⁾ Amount includes foreign currency gains.

At June 30, 2007, all available-for-sale debt securities are due within one year.

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December 31, 2006	Cost	Gross Unrealized Gains (Losses) (in thousands)	Estimated Fair Market Value
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	<u>\$1,386,756</u>	<u>\$241,453</u>	<u>\$1,628,209</u>

⁽¹⁾ Amount includes foreign currency gains.

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

Investment in the LSE

We currently have a 30.5% ownership investment in the LSE as of June 30, 2007. In accordance with FIN 35, "Criteria for Applying the Equity Method of Accounting for Investments in Common Stock an interpretation of APB Opinion 18," or FIN 35, and APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock," or APB 18, an investment (direct or indirect) of 20%, such as ours in the LSE, 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. 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 U.S. GAAP and prepare a full purchase price allocation as required under APB 18. This information is still 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 Statement of Financial Accounting Standards, or SFAS, No. 115 "Accounting for Certain Investments in Debt and Equity Securities," or SFAS 115, and include our LSE shares in available-for-sale investments, at fair value in the Condensed Consolidated Balance Sheets. Unrealized gains and losses, including foreign currency gains/losses, are included in accumulated other comprehensive income in the Condensed 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 the LSE not already owned by our wholly owned subsidiary Nightingale Acquisition Limited, or NAL, at a price of 1,243 pence per share and all of the B Shares of the 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 10, "Fair Value of Financial Instruments," for further discussion. These final offers lapsed on February 10, 2007.

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

As of March 31, 2007, we incurred costs of approximately \$24.9 million in connection with our strategic initiatives related to the LSE, including our acquisition bid. These costs, including legal and advisory fees, were included in other current assets in the Consolidated Balance Sheet at December 31, 2006. In conjunction with the lapse of our final offers for the LSE in February 2007, these costs were charged to expense during the first quarter of 2007 and are included in strategic initiative costs in the Condensed Consolidated Statements of Income. During the second quarter of 2007, we incurred similar costs of \$1.6 million for a total charge of \$26.5 million as of June 30, 2007.

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5. Deferred Revenue

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

	Initial Listing Fees	Listing of Additional Shares	Annual and Other	Total
	(in thousands)			
Fiscal year ended:				
2007	\$10,862	\$ 19,601	\$70,765	\$101,228
2008	19,557	30,669	230	50,456
2009	16,221	19,845	—	36,066
2010	12,469	10,273	—	22,742
2011 and thereafter	12,815	1,484	—	14,299
	<u>\$71,924</u>	<u>\$ 81,872</u>	<u>\$70,995</u>	<u>\$224,791</u>

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

	Initial Listing Fees	Listing of Additional Shares	Annual and Other	Total
	(in thousands)			
Balance at January 1, 2007	\$ 71,054	\$ 73,829	\$ 2,208	\$ 147,091
Additions	11,774	27,879	142,790	182,443
Amortization	(10,904)	(19,836)	(74,003)	(104,743)
Balance at June 30, 2007	<u>\$ 71,924</u>	<u>\$ 81,872</u>	<u>\$ 70,995</u>	<u>\$ 224,791</u>
Balance at January 1, 2006	\$ 69,678	\$ 74,766	\$ 1,168	\$ 145,612
Additions	12,388	26,709	121,817	160,914
Amortization	(12,325)	(18,090)	(62,624)	(93,039)
Balance at June 30, 2006	<u>\$ 69,741</u>	<u>\$ 83,385</u>	<u>\$ 60,361</u>	<u>\$ 213,487</u>

6. Debt Obligations

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

	December 31, 2006	Payments and Accretion	June 30, 2007
	(in thousands)		
3.75% convertible notes due October 22, 2012 (net of premium and discount)	\$ 442,805	\$ 189	\$ 442,994
\$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 7.07% at June 30, 2007)	726,450	(3,656)	722,794
\$434.8 million secured term loan credit agreement due April 18, 2012 (average interest rate of 7.07% at June 30, 2007)	334,373	(1,685)	332,688
Total debt obligations	1,503,628	(5,152)	1,498,476
Less current portion	(10,681)	—	(10,681)
Total long-term debt obligations	<u>\$1,492,947</u>	<u>\$ (5,152)</u>	<u>\$1,487,795</u>

3.75% Convertible Notes

The 3.75% convertible notes include \$205.0 million convertible notes issued at a discount to SLP (\$141.4 million), Hellman & Friedman, or H&F, (\$60.0 million), and other partners (\$3.6 million) and \$240.0 million convertible notes issued at a premium to H&F. The \$205.0 million convertible notes are convertible into 14,137,931 shares of our common stock at a

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

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

Credit Facilities

Under the \$825.0 million senior credit agreement and the \$434.8 million secured term loan credit agreement, or the Credit Facilities, we are required to make quarterly principal amortization payments. During the six months ended June 30, 2007, we paid approximately \$3.7 million on the \$825.0 million senior credit agreement and approximately \$1.7 million on 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 our debt covenants 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 described 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%. No prepayment was required during the first six months of 2007 based on our optional net prepayment in November 2006 and our excess cash flow.

At June 30, 2007, we were in compliance with the covenants of all of our debt obligations.

Financing the Proposed Business Combination with OMX

On May 25, 2007, the boards of directors of Nasdaq and OMX jointly announced that they entered into a transaction agreement to combine the two companies. The proposed business combination will be effected through a cash and share tender offer, or the Offer, by Nasdaq for all of the outstanding shares in OMX.

In connection with the proposed combination, we have agreed to finance the cash consideration of the Offer pursuant to an interim loan agreement. See Note 14, "Proposed Business Combination with OMX," for further discussion.

7. Employee Benefits

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(in thousands)		(in thousands)	
Components of net periodic benefit cost				
Service cost	\$ 403	\$ 1,537	\$ 2,293	\$ 3,146
Interest cost	811	969	1,849	1,910
Expected return on plan assets	(720)	(719)	(1,390)	(1,438)
Amortization of unrecognized transition asset	(9)	(14)	(19)	(28)
Recognized net actuarial loss	206	311	524	623
Prior service cost recognized	(73)	(135)	(200)	(270)
Curtailment (gain)/settlement loss recognized	435	267	(6,028)	348
Benefit (gain) cost	\$ 1,053	\$ 2,216	\$(2,971)	\$ 4,291

We previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2006, that we expected to contribute \$3.3 million to our Pension Plan in 2007. As of June 30, 2007, approximately \$1.1 million was contributed. We anticipate contributing an additional \$5.3 million to the Pension Plan in 2007 for a total contribution of \$6.4 million. The increase from 2006 is due to our decision to increase the funding of our Pension Plan.

8. Share-Based Compensation

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

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

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 June 30, 2007, we had approximately 6.7 million shares of common stock reserved for future issuance under our stock option and restricted stock award plan and ESPP.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(in thousands)		(in thousands)	
Share-based compensation expense before income taxes	\$ 4,089	\$ 2,688	\$ 7,564	\$ 5,444
Income tax benefit	(1,617)	(1,054)	(2,992)	(2,135)
Total share-based compensation expense after income taxes	<u>\$ 2,472</u>	<u>\$ 1,634</u>	<u>\$ 4,572</u>	<u>\$ 3,309</u>

We received net cash proceeds of \$3.0 million from the exercise of approximately 0.3 million stock options for the three months ended June 30, 2007 and received net cash proceeds of \$5.3 million from the exercise of approximately 0.5 million stock options for the six months ended June 30, 2007. We received net cash proceeds of \$1.9 million from the exercise of approximately 0.2 million stock options for the three months ended June 30, 2006 and received net cash proceeds of \$22.2 million from the exercise of approximately 1.8 million stock options for the six months ended June 30, 2006. In accordance with SFAS No. 123 (revised 2004), "Share-Based Payment," or SFAS 123(R), we present excess tax benefits from the exercise of stock options, if any, as financing cash flows.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Expected life (in years)	5	5	5	5
Weighted-average risk free interest rate	4.58%	4.85%	4.61%	4.58%
Expected volatility	35.0%	35.0%	35.0%	32.5%
Dividend yield	—	—	—	—
Weighted-average fair value at grant date	\$ 12.29	\$ 13.71	\$ 12.14	\$ 13.27

Our computation of expected volatility for the three and six months ended June 30, 2007 and 2006 is based on a combination of historical and market-based implied 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 six months ended June 30, 2007 is as follows:

	Stock Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2007	11,643,975	\$ 14.24	<u>7.5</u>	<u>\$ 205,875</u>
Grants	46,444	31.35		
Exercises	(538,207)	30.39		
Forfeitures or expirations	(277,458)	21.02		
Outstanding at June 30, 2007	<u>10,874,754</u>	<u>\$ 14.35</u>	<u>7.3</u>	<u>\$ 181,983</u>
Exercisable at June 30, 2007	<u>5,115,606</u>	<u>\$ 9.11</u>	<u>6.1</u>	<u>\$ 106,126</u>

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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 June 30, 2007 of \$29.71 and the exercise price, times the number of shares) based on stock options with an exercise price less than Nasdaq's closing price of \$29.71 as of June 30, 2007, which would have been received by the option holders had the option holders exercised their stock options at that date. This amount changes based on the fair market value of our common stock. The total number of in-the-money stock options exercisable as of June 30, 2007 was 5.0 million. As of June 30, 2006, 4.2 million outstanding stock options were exercisable and the weighted-average exercise price was \$8.80.

Total fair value of stock options vested was \$0.6 million for the three months ended June 30, 2007 and \$4.5 million for the six months ended June 30, 2007. The total pre-tax intrinsic value of stock options exercised was \$6.2 million for the three months ended June 30, 2007, \$11.1 million for the six months ended June 30, 2007, \$2.8 million for the three months ended June 30, 2006 and \$32.1 million for the six months ended June 30, 2006.

At June 30, 2007, \$21.1 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 2.1 years.

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

	Restricted Stock Awards	Weighted- Average Grant Date Fair Value
Unvested awards at January 1, 2007	800,290	\$ 29.35
Granted	141,772	32.79
Vested	(101,088)	12.77
Forfeited	(91,853)	28.01
Unvested awards at June 30, 2007	<u>749,121</u>	<u>\$ 32.40</u>

At June 30, 2007, \$19.8 million of total unrecognized compensation cost related to restricted stock awards is expected to be recognized over a weighted-average period of 2.2 years.

Under our ESPP employees may purchase shares having a value not exceeding 10.0% of their annual compensation, subject to applicable annual Internal Revenue Service limitations. As of June 30, 2007 employees purchased 61,281 shares at a price of \$25.28 and as of June 30, 2006 employees purchased 48,799 shares at a price of \$24.02. The next purchase will be at the end of December 2007. We recorded \$0.2 million for the three months ended June 30, 2007 and \$0.3 million for the six months ended June 30, 2007 of compensation expense for the 15% discount that is given to our employees. We recorded \$0.2 million for the three and six month periods ended June 30, 2006 of compensation expense for the 15.0% discount that is given to our employees.

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9. Earnings Per Common Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
(in thousands, except share and per share amounts)				
Numerator:				
Net income applicable to common stockholders:				
Net income	\$ 56,128	\$ 16,644	\$ 74,445	\$ 34,632
Preferred stock ⁽¹⁾ :				
Dividends declared	—	—	—	(359)
Accretion of preferred stock	—	—	—	(331)
Net income applicable to common stockholders for basic earnings per share	56,128	16,644	74,445	33,942
Interest impact of convertible notes, net of tax	2,522	2,535	5,044	5,071
Net income applicable to common stockholders for diluted earnings per share	\$ 58,650	\$ 19,179	\$ 79,489	\$ 39,013
Denominator:				
Weighted-average common shares outstanding for basic earnings per share	112,742,000	105,197,081	112,591,524	96,584,440
Weighted-average effect of dilutive securities:				
Employee stock options and awards	5,840,070	6,407,264	5,851,621	6,684,009
Convertible notes assumed converted into common stock	30,689,655	30,689,655	30,689,655	30,689,655
Warrants	2,694,614	2,902,951	2,695,067	3,091,727
Denominator for diluted earnings per share	151,966,339	145,196,951	151,827,867	137,049,831
Basic and diluted earnings per share:				
Basic	\$ 0.50	\$ 0.16	\$ 0.66	\$ 0.35
Diluted	\$ 0.39	\$ 0.13	\$ 0.52	\$ 0.28

⁽¹⁾ As of June 30, 2007, there were 30,000,000 shares of preferred stock, and no shares were issued and outstanding.

Options to purchase 10,874,754 shares of common stock, 749,121 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 June 30, 2007. For both the three and six months ended June 30, 2007, we included 8,387,478 of the options outstanding, 636,928 shares of restricted stock, all of the shares underlying the convertible notes and all of the shares underlying the warrants in the computation of diluted earnings per share, on a weighted-average basis, as their inclusion was dilutive. The remaining options and shares of restricted stock were considered antidilutive and were properly excluded.

Options to purchase 10,566,478 shares of common stock, 351,010 shares of restricted stock, convertible notes convertible into 30,689,655 shares of common stock and warrants exercisable into 4,962,500 shares of common stock were outstanding at June 30, 2006. For the three months ended June 30, 2006, 9,975,413 of the options outstanding, 346,010 shares of the restricted stock, all 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, on a weighted-average basis, as their inclusion was dilutive. The remaining options and shares of restricted stock were considered antidilutive and were properly excluded. For the six months ended June 30, 2006, we included 9,999,513 of the options outstanding, all of the 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 were considered antidilutive and were properly excluded.

10. Fair Value of Financial Instruments

Assets and Liabilities

The majority of our assets and liabilities are recorded at fair value or at amounts that approximate fair value. These assets and liabilities include cash and cash equivalents, investments, receivables, net, certain other assets, accounts payable and accrued expenses, Section 31 fees payable to SEC, accrued personnel costs and other current payables. The carrying amounts reported in the Condensed Consolidated Balance Sheets for the above financial instruments closely approximate

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their fair values due to the short-term nature of these assets and liabilities, except for our available-for-sale investments. The carrying amounts of our available-for-sale investments were determined based on quoted market prices when available, or if quoted market prices were not available, on discounted expected cash flows using market rates commensurate with the credit quality and maturity of the investment. See Note 4, "Investments," for further discussion.

We also consider our debt obligations to be financial instruments. The fair value of our debt obligations was estimated using discounted cash flow analyses based on our assumed incremental borrowing rates for similar types of borrowing arrangements and a Black-Scholes valuation technique was utilized to calculate the convertible option value for the convertible notes. At June 30, 2007, the carrying value of our debt obligations was approximately \$528.0 million less than fair value due to the stock appreciation on the convertible option feature from \$14.50 at time of issuance to \$29.71 at June 30, 2007. At December 31, 2006, the carrying value of our debt obligations was approximately \$593.0 million less than fair value due to the stock appreciation on the convertible option feature from \$14.50 at time of issuance to \$30.79 at December 31, 2006. See Note 6, "Debt Obligations," for further discussion.

Foreign Currency Contracts

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

In order to hedge the foreign currency exposure on our acquisition bid for the LSE, we purchased foreign currency option contracts at the time of the commencement of the bid, which was the fourth quarter of 2006. In accordance with SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," a derivative used to hedge exposure related to an anticipated business combination does not qualify for specialized hedge accounting, and as such, must be marked to market each reporting period. The fair value of these contracts at December 31, 2006 was \$71.7 million and the unrealized gain for the quarter ended December 31, 2006 was \$48.4 million. In conjunction with the lapse of our final offers for LSE, we traded out of these foreign exchange contracts in February 2007. Due to the improving exchange rate of the dollar when compared to the pound sterling, we recorded a mark to market loss of approximately \$7.8 million on these foreign currency option contracts in first quarter 2007 results. The cumulative realized pre-tax gain on the foreign currency option contracts was approximately \$40.6 million. These contracts were cash settled for \$63.9 million.

In order to hedge the foreign currency exposure on our proposed combination with OMX, we also purchased foreign currency option contracts at the time of the announcement of the proposed combination, which was May 2007. The fair value of these contracts at June 30, 2007 was \$11.3 million and the unrealized loss for the quarter ended June 30, 2007, which was recorded in the Condensed Consolidated Statements of Income, was \$1.7 million. See Note 14, "Proposed Business Combination with OMX," for further discussion of our proposed combination with OMX.

On July 10, 2007, we sold the foreign currency option contracts discussed above for \$20.1 million and also purchased new contracts for \$20.1 million for our proposed combination with OMX. We recorded an \$8.8 million gain on the sale of the initial foreign currency option contracts in the third quarter of 2007. The cumulative realized pre-tax gain on the OMX foreign currency option contracts is approximately \$7.1 million.

11. Comprehensive Income

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

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	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	(in thousands)			
Net income	\$ 56,128	\$ 16,644	\$ 74,445	\$ 34,632
Other comprehensive income:				
Change in unrealized gains and losses on available-for-sale investments, net of tax ⁽¹⁾	94,884	(30,664)	54,457	(30,610)
Change in foreign currency translation adjustments ⁽²⁾	21	23	(154)	12
Total	<u>\$151,033</u>	<u>\$(13,997)</u>	<u>\$128,748</u>	<u>\$ 4,034</u>

- ⁽¹⁾ The 2007 amounts include the unrealized gain related to our investment in the LSE, net of tax, which includes foreign currency gains. The 2006 amounts include an unrealized loss related to an investment in the LSE, net of tax, which includes foreign currency gains. See Note 4, "Investments," for further discussion.
- ⁽²⁾ The six months ended June 30, 2007 amount includes a \$0.2 million foreign currency gain realized upon the liquidation of Brut Europe Limited. Both the 2007 and 2006 amounts include after-tax gains and losses on foreign currency translation from operations for which the functional currency is other than the U.S. dollar.

12. Commitments, Contingencies and Guarantee

Proposed Business Combination with OMX

On May 25, 2007, the boards of directors of Nasdaq and OMX jointly announced that they entered into a transaction agreement to combine the two companies. See Note 14, "Proposed Business Combination with OMX," for further discussion.

Acquisition of Directors Desk

On July 2, 2007, Nasdaq acquired Directors Desk LLC, a privately held, Washington-based firm which provides technology to boards of public and private companies in the U.S. and abroad. As of June 30, 2007, \$8.0 million was placed into escrow to fund the purchase. Directors Desk will be part of our Issuer Services segment.

Escrow Agreements

In connection with our acquisitions of Directors Desk in 2007, PrimeNewswire and Shareholder.com in 2006 and Carpenter Moore in 2005, we entered into escrow agreements for the designation of funds to secure the payment of post-closing adjustments and other closing conditions. For the six months ended June 30, 2007, \$4.0 million was paid from the escrow account for the settlement of closing conditions related to the Shareholder.com acquisition. At June 30, 2007, these escrow agreements provide for future payments of \$12.8 million in 2007 (which includes the \$8.0 million for the purchase of Directors Desk), \$4.2 million in 2008 and \$0.5 million in 2009.

Nasdaq Execution Services, LLC Agreements

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 enabling us to cease using the product which resulted in a charge to earnings of approximately \$10.6 million in the first six months of 2007. This charge is included in general, administrative and other expense in the Condensed Consolidated Statements of Income.

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

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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 Condensed Consolidated Balance Sheets for these arrangements.

Transfer of Sponsorship of Exchange Traded Funds

In October 2006, we announced an agreement with PowerShares Capital Management LLC, or PowerShares, to transfer the sponsorship functions including sales, marketing and administration of several ETFs, including our QQQ and BLDRs ETFs. The transfer of the QQQ and BLDRs ETFs to PowerShares closed on March 21, 2007 and had no impact on the financial results of Nasdaq. In connection with the transfer, the QQQ was renamed the PowerShares QQQ Trust in March 2007. The EQQQ is scheduled to transfer to PowerShares during the second half of 2007. After the transfer, Nasdaq has maintained its status as licensor of the QQQ ETF and continues to receive license fees from this ETF as it is benchmarked against the Nasdaq-100 Index. Nasdaq will also maintain its status as licensor of the EQQQ when the sponsorship is transferred to PowerShares. This transfer expands the distribution channels for the funds and brings greater investor access to these products. As a result, the amount of licensing revenues may increase in the future. In addition, Nasdaq subsequently increased the license fee for these products which may also increase the amount of licensing revenues.

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 did not have a material effect on our consolidated financial position or results of operations.

Deferred Tax Benefit

As of June 30, 2007, a non-current deferred tax asset related to the 2005 sale of Instinet's Institutional Brokerage division, related to acquired operating and capital loss carryforwards, was \$89.5 million. Included in the balance as of June 30, 2007 is a deferred tax asset for capital loss carryforwards totaling \$61.3 million. The remainder of the deferred tax asset is related to ordinary loss carryforwards. We believe that it is more likely than not that we will not realize a benefit on the deferred asset related to capital loss carryforwards, therefore, we established a valuation allowance of \$61.3 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 \$28.2 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 Condensed Consolidated Balance Sheets at the 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. We expect to pay SLP \$27.9 million in 2007.

Leases

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

Litigation

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

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

13. Segments

We manage, operate and provide our products and services in two business segments, our Market Services segment and our Issuer Services segment. The Market Services segment includes our transaction-based business (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 the LSE.

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

	<u>Market Services</u>	<u>Issuer Services</u>	<u>Corporate Items and Eliminations</u>	<u>Consolidated</u>
	(in thousands)			
Three months ended June 30, 2007				
Revenues	\$ 487,390	\$ 70,742	\$ 69	\$ 558,201
Cost of revenues	(359,521)	—	—	(359,521)
Revenues less liquidity rebates, brokerage, clearance and exchange fees	127,869	70,742	69	198,680
Income before income taxes	\$ 75,951	\$ 16,196	\$ 2,186 ⁽¹⁾	\$ 94,333
Three months ended June 30, 2006				
Revenues	\$ 347,587	\$ 63,380	\$ 65	\$ 411,032
Cost of revenues	(239,881)	—	—	(239,881)
Revenues less liquidity rebates, brokerage, clearance and exchange fees	107,706	63,380	65	171,151
Income (loss) before income taxes	\$ 24,674	\$ 14,802	\$ (11,737) ⁽²⁾	\$ 27,739
Six months ended June 30, 2007				
Revenues	\$ 982,883	\$ 137,093	\$ 171	\$1,120,147
Cost of revenues	(729,401)	—	—	(729,401)
Revenues less liquidity rebates, brokerage, clearance and exchange fees	253,482	137,093	171	390,746
Income (loss) before income taxes	\$ 134,257	\$ 30,530	\$ (39,606) ⁽¹⁾	\$ 125,181

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	<u>Market Services</u>	<u>Issuer Services</u>	<u>Corporate Items and Eliminations</u>	<u>Consolidated</u>
	(in thousands)			
Six months ended June 30, 2006				
Revenues	\$ 684,888	\$ 122,258	\$ 332	\$ 807,478
Cost of revenues	(474,310)	—	—	(474,310)
Revenues less liquidity rebates, brokerage, clearance and exchange fees	210,578	122,258	332	333,168
Income (loss) before income taxes	\$ 44,357	\$ 25,061	\$ (11,699) ⁽²⁾	\$ 57,719

(1) The 2007 amounts include:

- dividend income of \$14.5 million for the three and six months ended June 30, 2007 related to our investment in the LSE;
- strategic initiative costs of \$1.6 million for the three months ended June 30, 2007 and \$26.5 million for the six months ended June 30, 2007 incurred in connection with acquiring our current investment in the LSE and our acquisition bid;
- loss on foreign currency option contracts of \$1.7 million for the three months ended June 30, 2007 which we entered into to hedge the foreign exchange exposure on the proposed combination with OMX. For the six months ended June 30, 2007, we incurred an additional loss on foreign currency option contracts of \$7.8 million which we entered into to hedge the foreign exchange exposure on the acquisition bid for the LSE; and
- interest expense of \$9.2 million for the three months ended June 30, 2007 and \$18.3 million for the six months ended June 30, 2007 related to our investment in the LSE.

(2) The 2006 amounts include:

- dividend income of \$9.2 million for the three and six months ended June 30, 2006 related to our investment in the LSE;
- foreign currency gain of \$8.2 million for the three and six months ended June 30, 2006 related to our investment in the LSE;
- interest expense of \$7.2 million for the three and six months ended June 30, 2006 related to our investment in the LSE; and
- loss on early extinguishment of debt of \$20.9 million for the three and six months ended June 30, 2006 related to the financing of the purchase of our investment in the LSE.

14. Proposed Business Combination with OMX

On May 25, 2007, the boards of directors of Nasdaq and OMX jointly announced that they entered into a transaction agreement to combine the two companies. The combined company, to be called The NASDAQ OMX Group, Inc., combines two highly complementary businesses, uniting Nasdaq's leading global brand and highly efficient electronic trading platform with OMX's global technology services platform and customer base, efficient Nordic Exchange and derivatives capabilities. The combination will provide significant benefits for customers, shareholders and other stakeholders in both companies. It will also strengthen the Nordic region as a financial center. The NASDAQ OMX Group will be the largest global network of exchanges and exchange customers linked by technology.

The combination is expected to close during the fourth quarter of 2007 and is conditional upon, among other things, regulatory approvals and the approval of Nasdaq and OMX shareholders.

OMX owns and operates the largest securities marketplace in the Nordic Baltic region and provides marketplace services and technology solutions to financial, securities and other markets.

The combination will be effected through the Offer by Nasdaq for all of the outstanding shares in OMX. The consideration offered is equivalent to 0.502 newly issued shares of Nasdaq common stock plus SEK 94.3 in cash for each outstanding OMX share. The Offer will also have a mix and match election which will enable OMX shareholders to elect to exchange a higher proportion of their OMX shares in return for cash or to exchange a higher proportion of their OMX shares in exchange for Nasdaq common stock, subject to matching elections by other OMX shareholders.

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Assuming full acceptance of the Offer, approximately 60.6 million new Nasdaq shares will be issued pursuant to the Offer and the total cash consideration amount payable by Nasdaq to OMX shareholders will be approximately \$1.7 billion (SEK 11.4 billion). The total Offer is equivalent to \$3.7 billion (SEK 25.1 billion).

Financing of the Offer

To finance the Offer, Nasdaq entered into an Interim Loan Agreement, dated August 1, 2007, by and among Nasdaq, as Borrower, the financial institutions that are or may from time to time become parties thereto as Lenders, and Bank of America, N.A., as Administrative Agent, Banc of America Securities LLC and J.P. Morgan Securities Inc., as Joint Lead Arrangers and Joint Bookrunners, and JPMorgan Chase Bank N.A., as Syndication Agent.

The Offer is not subject to any conditions concerning the availability of financing. However, any drawdown pursuant to the Interim Loan Agreement is subject to (i) conditions to the completion of the Offer being satisfied in all material respects in accordance with the Transaction Agreement without any waiver by the Borrower that is materially adverse to the lenders (unless the Administrative Agent and the Syndication Agent consent to such waiver, such consent not to be unreasonably withheld), and (ii) the Offer being accepted such that the Borrower becomes the owner of shares representing more than 90% of the outstanding shares of OMX on a fully diluted basis. In addition, conditions to drawdown under the Interim Loan Agreement include:

- solvency of Nasdaq and its subsidiaries on a consolidated basis;
- delivery of customary closing documentation including board resolutions, legal opinions and Uniform Commercial Code filings; and
- payment of fees and expenses of the Lenders.

Pursuant to the Interim Loan Agreement, Nasdaq may borrow up to \$3,370,000,000 to pay for OMX Shares exchanged in the Offer, transaction costs related to the Offer, and to repay Nasdaq bank indebtedness under its existing credit facilities as well as certain existing indebtedness of OMX. Loans made pursuant to the Interim Loan Agreement will be made on the date that the conditions to drawdown are satisfied and will mature thirty business days thereafter.

The interest rate on loans made under the Interim Loan Agreement will be, at Nasdaq's option, either

- the higher of (a) the federal funds rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by the Administrative Agent as its "prime rate", plus, in either case, 0.75% per annum; or
- the rate per annum equal to the British Bankers Association LIBOR Rate, plus 1.75% per annum.

Loans made under the Interim Loan Agreement will refinance in full (i) 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) 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, Nightingale Acquisition Limited, 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 Interim Loan Agreement will be guaranteed by all of its material domestic subsidiaries, excluding the regulated broker-dealer subsidiaries, the insurance-related subsidiaries and certain other subsidiaries. Nasdaq's obligations under the Interim Loan Agreement and the subsidiary guarantees will be secured by a security interest in and liens upon substantially all of the assets of Nasdaq and the subsidiary guarantors, excluding the regulated broker-dealer subsidiaries, the insurance-related subsidiaries and certain other subsidiaries. Subject to certain exceptions, the shares of each of Nasdaq's subsidiaries will be pledged, *provided* that no more than 65% of the voting shares of any foreign subsidiary will be pledged, and the shares of subsidiaries that are not directly owned by Nasdaq or any of its subsidiary guarantors will not be pledged.

The Interim Loan Agreement contains a covenant, which we refer to as the Offer Covenant, which requires Nasdaq to give notice to the Administrative Agent if at any time the Offer is terminated or withdrawn without being successful. Immediately following such termination or withdrawal, all commitments of the Lenders under the Interim Loan Agreement shall be cancelled and the Lenders shall be under no further obligation to extend credit thereunder.

The Interim Loan Agreement also contains:

- customary affirmative covenants, including delivery of financial statements, notice of material events and defaults, maintenance of existence, properties and insurance, compliance with laws and limitations on use of proceeds;
- customary events of default; and
- an event of default upon the Borrower's failure to comply with the Offer Covenant.

The Interim Loan Agreement permits Nasdaq to repay borrowings thereunder at any time in whole or in part. The Interim Loan

Agreement will provide Nasdaq with the certainty of funds necessary to complete the Offer.

In addition, Nasdaq has executed a Commitment Letter, dated May 24, 2007, delivered by Bank of America, N.A., Banc of America Securities LLC, J.P. Morgan Securities Inc. and JPMorgan Chase Bank, N.A., including a Summary of Terms and Conditions, which, together with any amendments thereto, we refer to as the Commitment Letter. In accordance with the Commitment Letter, Nasdaq anticipates that it will enter into new credit agreements to replace the Interim Loan Agreement prior to the consummation of the Offer, which new credit agreements will have customary terms and conditions.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Our results for the second quarter of 2007 continue to demonstrate our ability to improve profitability by focusing on the execution of our business plan. Revenues less liquidity rebates, brokerage, clearance and exchange fees increased \$27.6 million, or 16.1%, and our operating income increased \$62.7 million. Net income was \$56.1 million, or \$0.39 per diluted share, in the second quarter of 2007 compared with \$16.6 million, or \$0.13 per diluted share, in the second quarter of 2006.

Our second quarter 2007 results were impacted by the following:

- Improved revenues less liquidity rebates, brokerage, clearance and exchange fees from our Market Services segment. Revenues less liquidity rebates, brokerage, clearance and exchange fees from Market Services increased \$20.2 million, or 18.8%, to \$127.9 million in the second quarter of 2007, compared with \$107.7 million in the second quarter of 2006 due to the following:
 - Increases in our market share in New York Stock Exchange, or NYSE-listed securities, and American Stock Exchange, or Amex-listed securities, partially offset by higher cost of revenues;
 - The increase in cost of revenues was due to an increase in U.S. Securities and Exchange Commission, or SEC, fees collected pursuant to Section 31 of the Securities Exchange Act of 1934, or Section 31 fees, as a result of Nasdaq's operation as a national securities exchange beginning August 1, 2006 for Nasdaq-listed securities and February 12, 2007 for non-Nasdaq-listed securities. The increase in cost of revenues was also due to increases in market share;
 - Increase in market subscription users which increased our Market Services subscriptions fees;
- Increase in revenues from our Issuer Services segment. Revenues increased \$7.3 million, or 11.5%, to \$70.7 million in the second quarter of 2007, compared with \$63.4 million in the second quarter of 2006, primarily due to revised annual renewal fees introduced in the first quarter of 2007, revenues generated from our recent acquisitions and expanding customer utilization of our Corporate Client services;
- Decrease in total operating expenses to \$99.7 million in the second quarter of 2007, compared with \$134.8 million in second quarter of 2006, primarily due to the completion of the INET integration which resulted in us migrating all trading to a single trading platform. Also contributing to the decline in operating expenses were charges incurred in the second quarter of 2006 associated with the extinguishment of a credit facility, and higher costs from our cost reduction program, partially offset by a foreign currency gain; and
- Increase in dividend income from our investment in the LSE. Dividend income increased \$5.3 million, or 57.6%, to \$14.5 million in the second quarter of 2007, compared with \$9.2 million in the second quarter of 2006, due to declaration of additional ordinary dividends.

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

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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Average daily share volume in Nasdaq securities (in billions)	2.14	2.14	2.15	2.13
Matched market share in Nasdaq securities ⁽¹⁾	46.1%	48.4%	45.8%	49.3%
Touched market share in Nasdaq securities ⁽²⁾	50.3%	55.7%	50.1%	56.8%
Total market share in Nasdaq securities ⁽³⁾	72.3%	77.8%	73.4%	78.9%
Matched market share in NYSE securities ⁽¹⁾	15.9%	8.3%	15.5%	7.7%

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Touched market share in NYSE securities ⁽²⁾	36.8%	20.8%	36.7%	19.4%
Total market share in NYSE securities ⁽³⁾	34.5%	22.7%	34.1%	22.4%
Matched market share in Amex and regional securities ⁽¹⁾	32.4%	24.8%	31.0%	23.7%
Touched market share in Amex and regional securities ⁽²⁾	37.0%	28.6%	35.3%	27.7%
Total market share in Amex and regional securities ⁽³⁾	53.3%	46.1%	52.7%	45.1%
Initial public offerings	38	35	75	65
Secondary offerings	67	54	116	123
New listings ⁽⁴⁾	71	81	144	141
Number of listed companies ⁽⁵⁾	3,164	3,205	3,164	3,205

⁽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 plus trades reported through The Trade Reporting Facility LLC for the three and six months ended June 30, 2007. For the three and six months ended June 30, 2006, 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 that switched from other listing venues, closed-end funds and beginning September 30, 2006, separately listed ETFs.

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

Business Environment

We serve 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, revenues less liquidity rebates, brokerage, clearance and exchange fees 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, 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 indexes for the second consecutive quarter, 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 that influenced our financial performance during the second quarter of 2007 can be characterized as follows:

- A healthy environment for equity issuance evidenced by our strongest first half performance for IPO listings since the beginning of 2000;
- Continued growth of financing alternatives for both new and established companies;
- Robust 11.0% annual growth in equity trading volume in the U.S.;
- Intense competition among U.S. exchanges for both equity trading volume and listings;
- Globalization of exchanges, customers and competitors extending the competitive horizon beyond the U.S.;
- Customers' demands for speed, capacity, and reliability require continuing investment in technology; and

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- Increasing competition for market data revenues due to the new market data revenue allocation formula required by Regulation NMS.

Proposed Business Combination with OMX

On May 25, 2007, the boards of directors of Nasdaq and OMX jointly announced that they entered into a transaction agreement to combine the two companies. The combination will create the world's largest global network of exchanges and exchange customers linked by technology.

The combined company, to be called The NASDAQ OMX Group, Inc., will combine two highly complementary businesses, uniting Nasdaq's leading global brand, highly efficient electronic trading platform and track record of customer focused innovation with OMX's global technology services platform and customer base, efficient Nordic Exchange, derivatives capabilities and track record of successful cross-border exchange integrations.

The combination is expected to close during the fourth quarter of 2007 and is conditional upon, among other things, regulatory approvals and the approval of Nasdaq and OMX shareholders. See Note 14, "Proposed Business Combination with OMX," to the condensed consolidated financial statements for further discussion.

Investment in the LSE

We, through our wholly-owned subsidiary NAL, hold an investment in the LSE totaling approximately 30.5% 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. See Note 4, "Investments," to the condensed consolidated financial statements for further discussion.

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.

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 13, "Segments," to the condensed consolidated financial statements for further discussion.

Segment Operating Results

Of our total second quarter 2007 revenues of \$558.2 million, 87.3% was from our Market Services segment and 12.7% was from our Issuer Services segment. Of our first six months of 2007 revenues of \$1,120.1 million, 87.8% was from our Market Services segment and 12.2% was from our Issuers Services segment.

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The following table shows our total revenues by segment, cost of revenues and revenues less liquidity rebates, brokerage, clearance and exchange fees:

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2007	2006		2007	2006	
	(in millions)			(in millions)		
Market Services	\$ 487.4	\$ 347.6	40.2%	\$ 982.9	\$ 684.9	43.5 %
Issuer Services	70.7	63.4	11.5%	137.1	122.3	12.1 %
Other	0.1	—	#	0.1	0.2	(50.0)%
Total revenues	\$ 558.2	\$ 411.0	35.8%	\$1,120.1	\$ 807.4	38.7 %
Cost of revenues	(359.5)	(239.9)	49.9%	(729.4)	(474.3)	53.8 %
Revenues less liquidity rebates, brokerage, clearance and exchange fees	\$ 198.7	\$ 171.1	16.1%	\$ 390.7	\$ 333.1	17.3 %

Not meaningful.

MARKET SERVICES

The following table shows total revenues, cost of revenues and revenues less liquidity rebates, brokerage, clearance and exchange fees from Market Services:

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2007	2006		2007	2006	
	(in millions)			(in millions)		
Nasdaq Market Center:						
Execution and trade reporting revenues ⁽¹⁾	\$ 426.1	\$ 291.4	46.2 %	\$ 863.1	\$ 577.9	49.4 %
Access services revenues	19.0	13.1	45.0 %	37.5	25.4	47.6 %
Tape fee revenue sharing	(7.0)	(5.3)	32.1 %	(14.1)	(10.7)	31.8 %
Nasdaq General Revenue Sharing Program	—	(0.1)	#	—	(0.2)	#
Total Nasdaq Market Center revenues	438.1	299.1	46.5 %	886.5	592.4	49.6 %
Cost of revenues						
Liquidity rebates	(238.3)	(170.6)	39.7 %	(463.5)	(337.8)	37.2 %
Brokerage, clearance and exchange fees ⁽¹⁾	(121.2)	(69.3)	74.9 %	(265.9)	(136.5)	94.8 %
Total cost of revenues	(359.5)	(239.9)	49.9 %	(729.4)	(474.3)	53.8 %
Revenues less liquidity rebates, brokerage, clearance and exchange fees from Nasdaq Market Center	78.6	59.2	32.8 %	157.1	118.1	33.0 %
Nasdaq Market Services Subscriptions:						
Proprietary revenues ⁽²⁾	21.1	23.1	(8.7)%	40.8	30.8	32.5 %
Non-proprietary revenues ⁽²⁾	33.7	25.6	31.6 %	65.8	70.0	(6.0)%
Nasdaq Revenue Sharing Programs	(1.5)	(2.6)	(42.3)%	(4.6)	(5.5)	(16.4)%
UTP Plan revenue sharing	(11.6)	(6.2)	87.1 %	(21.1)	(19.9)	6.0 %
Total Nasdaq Market Services Subscriptions revenues	41.7	39.9	4.5 %	80.9	75.4	7.3 %
Other Market Services revenues	7.6	8.6	(11.6)%	15.5	17.1	(9.4)%
Revenues less liquidity rebates, brokerage, clearance and exchange fees from Market Services	\$ 127.9	\$ 107.7	18.8 %	\$ 253.5	\$ 210.6	20.4 %

Denotes a variance equal to 100.0%.

⁽¹⁾ Includes Section 31 fees of \$73.1 million in the second quarter of 2007, \$27.3 million in the second quarter of 2006, \$171.6 million for the first six months of 2007 and \$51.6 million for the first six months of 2006. The increases for the second quarter and for the first six months of 2007 compared with the same periods last year are primarily due to fees collected as a result of Nasdaq's operation as a national securities exchange.

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- (2) 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 Unlisted Trading Privileges Plan, or UTP Plan, revenues which are shared among UTP Plan participants and include revenues from trade reports and best priced quotations in our market, or Level 1. Prior to the second quarter of 2006, non-proprietary revenues also included National Quotation Dissemination Services, or 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 the second quarter and for the first six months of 2007 compared with the same periods last year. The increase was primarily due to increases in market share for NYSE- and Amex-listed securities and fees collected as a result of Nasdaq's operation as a national securities exchange. 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 revenues less liquidity rebates, brokerage, clearance and exchange fees. Section 31 fees were \$73.1 million in the second quarter of 2007 compared with \$27.3 million in the second quarter of 2006 and were \$171.6 million for the six months ended June 30, 2007 compared with \$51.6 million with the same period last year.

In February 2007, we announced new equities pricing to harmonize the trading of Nasdaq-listed and non-Nasdaq-listed securities into one pricing schedule. We also announced a pricing change, effective March 1, 2007, that lowered execution and routing fees for high volume customers. As a result of these pricing changes, our matched market share in U.S.-listed equities has increased which also contributed to the increase in our execution and trade reporting revenues.

Access services revenues increased in the second quarter and for the first six months of 2007 compared with the same periods last year primarily due to increases in customer demand for network connectivity and exchange membership fees. We began charging exchange membership fees as a result of our operation as a national securities exchange.

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 activity within and trades reported to The Nasdaq Market Center for securities listed on these exchanges and the size of NYSE and Amex revenue tape sharing pools. The increase for the second quarter and the first six months of 2007 compared with the same periods last year was primarily due to an increase in trade execution market share in both NYSE- and Amex-listed securities.

The Nasdaq Market Center shared revenues under the Nasdaq General Revenue Sharing Program through the second quarter of 2006. Under this discretionary program we shared 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 Trade Reporting Facility LLC, a wholly-owned subsidiary.

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 the second quarter and first six months of 2007 compared with the same periods in 2006. The increase was primarily due to increases in trade execution market share for NYSE- and Amex-listed securities and the pricing changes discussed above. Also beginning February 2006, we began paying rebates on NYSE- and Amex-listed securities.

The increase in brokerage, clearance and exchange fees was primarily due to increases in trade execution market share for NYSE- and Amex-listed securities and additional Section 31 fees due to Nasdaq's operation as a national securities exchange. As noted above, effective August 1, 2006, as a result of Nasdaq's operation as an exchange, additional Section 31 fees were recorded as execution and trade reporting revenues as well as a corresponding cost of revenues. Partially offsetting the increases were declines in clearance costs due to our migration to a single trading platform.

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Nasdaq Market Services Subscriptions

Proprietary revenues decreased in the second quarter of 2007 compared with the same period last year due to an adjustment recorded in the second quarter of 2006 to account for changes in the UTP Plan. As discussed above, effective February 7, 2006, Nasdaq is no longer required to share NQDS revenues under the UTP Plan. However, since the change was not effective until the second quarter of 2006 an adjustment to reflect this change was not made until then and included an adjustment to account from February 7, 2006 to March 31, 2006. Excluding the adjustment to account for the activity for February 7, 2006 to March 31, 2006, proprietary revenues increased in the second quarter of 2007 and for the first six months of 2007 compared with the same periods last year primarily due to an increase in TotalView subscribers and distributors and their related revenues, the launch of OpenView Basic and an increase in other proprietary data products. Also contributing to the increase for the first six months of 2007 were NQDS revenues recorded as proprietary for the entire first half of the year.

Non-proprietary revenues increased in the second quarter of 2007 compared with the same period last year primarily due to the classification change of NQDS revenues as discussed above. Excluding the adjustment, non-proprietary revenues also increased due to an increase in the number of Level 1 professional and non-professional users. Non-proprietary revenues decreased for the first six months of 2007 compared with the same period last year due to the classification change of NQDS revenues beginning February 7, 2006 and an audit of data usage by a major market distributor in the first quarter of 2006 which increased revenues for the first six months of 2006. Partially offsetting these decreases was an increase in the number of Level 1 professional and non-professional users.

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 the UTP data revenue earned from internalized trades reported to us. The amount of Nasdaq Market Services Subscriptions revenues shared under Nasdaq's revenue sharing programs decreased in the second quarter and for the first six months of 2007 compared with the same periods last year 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 formula, from Reg NMS that takes into account both trading and quoting activity. Our tape fee revenue sharing amount allocated to UTP Plan participants increased in the second quarter and for the first six months of 2007 compared with the same periods last year primarily due a reduction of our percentage earned of the UTP revenue, in part, caused by the new Reg NMS market data revenue allocation formula, which became effective April 1, 2007. Also contributing to the increase in the second quarter of 2007 was higher shareable Level 1 revenues and in the second quarter of 2006 there was the one time recovery of the amount paid in the first quarter of 2006 for NQDS from February 7, 2006 through March 31, 2006, after it was determined that NQDS was effectively removed from the UTP plan. Partially offsetting the increase for the first six months of 2007, was a reduction in the amount of revenue shared with UTP Plan participants as NQDS was not included in the plan for the entire six months.

Other Market Services

Other Market Services revenues decreased in the second quarter and for the first six months of 2007 compared with the same periods last year primarily due to a decrease in testing fee revenues that occurred when Nasdaq became operational as an exchange in Nasdaq-listed securities in August 2006.

ISSUER SERVICES

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

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2007	2006		2007	2006	
Issuer Services:	(in millions)			(in millions)		
Corporate Client Group	\$ 59.9	\$ 52.3	14.5 %	\$ 117.5	\$ 101.0	16.3 %
Nasdaq Financial Products	10.8	11.1	(2.7)%	19.6	21.3	(8.0)%
Total Issuer Services revenues	<u>\$ 70.7</u>	<u>\$ 63.4</u>	11.5 %	<u>\$ 137.1</u>	<u>\$ 122.3</u>	12.1 %

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Corporate Client Group

The following table shows our revenues from the Corporate Client Group as reported in accordance with U.S. 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.

	Three Months Ended June 30,				Percentage Change	
	2007		2006		As Reported	Billed Basis
	As Reported	Billed Basis	As Reported	Billed Basis		
	(in millions)					
Annual renewal fees	\$ 31.1	\$ 31.1	\$ 26.9	\$ 26.9	15.6 %	15.6 %
Listing of additional shares fees	10.1	9.8	9.2	15.5	9.8 %	(36.8)%
Initial listing fees	5.5	5.8	6.0	6.7	(8.3)%	(13.4)%
Corporate Client services	13.2	13.2	10.2	10.2	29.4 %	29.4 %
Total Corporate Client Group revenues	\$ 59.9	\$ 59.9	\$ 52.3	\$ 59.3	14.5 %	1.0 %

	Six Months Ended June 30,				Percentage Change	
	2007		2006		As Reported	Billed Basis
	As Reported	Billed Basis	As Reported	Billed Basis		
	(in millions)					
Annual renewal fees	\$ 61.8	\$ 61.8	\$ 52.7	\$ 52.7	17.3 %	17.3 %
Listing of additional shares fees	19.8	27.9	18.1	26.7	9.4 %	4.5 %
Initial listing fees	10.9	11.8	12.3	12.3	(11.4)%	(4.1)%
Corporate Client services	25.0	25.0	17.9	17.9	39.7 %	39.7 %
Total Corporate Client Group revenues	\$ 117.5	\$ 126.5	\$ 101.0	\$ 109.6	16.3 %	15.4 %

Corporate Client Group revenues are primarily derived from (i) fees for annual renewals, listing of additional shares and initial listings for companies listed on The Nasdaq Stock Market and (ii) 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 U.S. GAAP. See Note 5, “Deferred Revenue,” to the condensed consolidated financial statements for further discussion. Corporate Client services revenues include revenues from Carpenter Moore, Shareholder.com beginning February 1, 2006 and PrimeNewswire beginning September 1, 2006 and other sources for all periods presented.

Annual renewal fees on both an as reported and billed basis increased in the second quarter and for the first six months of 2007 compared with the same periods last year. The number of companies listed on The Nasdaq Stock Market on January 1, 2007 was 3,193, compared to 3,208 on January 1, 2006, the date on which listed companies are billed their annual fees. The decrease in the number of listed companies was due to 303 delistings by Nasdaq during 2006, partially offset by 285 new listings during 2006. The number of listed companies as of January 1, 2007 also includes separately listed ETFs. Offsetting the decrease in the number of listed companies was an annual renewal fee increase effective January 1, 2007.

Listing of additional shares fees on an as reported basis increased in the second quarter and for the first six months of 2007 compared with the same periods last year. On a billed basis, listing of additional shares decreased in the second quarter of 2007, but increased for the first six months of 2007 compared with the same periods last year. The as reported basis increased for both periods primarily due to amortization of fees. The billed basis decrease in the second quarter of 2007 was primarily due to a decrease in other additional share activity. The billed basis increase in the first six months of 2007 was primarily due to a fee increase.

Initial listing fees, on both an as reported and billed basis, decreased in the second quarter and for the first six months of 2007 compared with the same periods last year. The fees on an as reported basis decreased primarily due to amortization of fees. The fees on a billed basis decreased as there were 71 new listings, including 38 new initial public offerings, during the second quarter of 2007 compared with 81 new listings, including 35 new initial public offerings, during the second quarter of 2006 and 144 new listings, including 75 new initial public offerings in the first six months of 2007 as compared to

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141 new listings, including 65 new initial public offerings for the same period last year. Also contributing to the billed basis decrease for the first six months of 2007 was an increase in entry fee credits for companies that switched to The Nasdaq Global Market from The Nasdaq Capital Market.

Corporate Client services revenues on both an as reported and billed basis increased for the second quarter and first six months of 2007 compared with the same periods last year primarily due to revenues generated from the operations of recently acquired businesses.

Nasdaq Financial Products

The following table shows revenues from Nasdaq Financial Products:

	Three Months Ended		Percentage	Six Months Ended		Percentage
	June 30,		Change	June 30,		Change
	2007	2006		2007	2006	
	(in millions)			(in millions)		
Licensing revenues	\$ 9.0	\$ 9.7	(7.2)%	\$ 16.2	\$ 18.8	(13.8)%
Other revenues	1.8	1.4	28.6 %	3.4	2.5	36.0 %
Total Nasdaq Financial Products revenues	\$ 10.8	\$ 11.1	(2.7)%	\$ 19.6	\$ 21.3	(8.0)%

Licensing revenues decreased in the second quarter and for the first six months of 2007 compared with the same periods last year. The decreases were 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 PowerShares QQQ). Partially offsetting the decrease in the second quarter and for the first six months of 2007 was higher volume activity for both derivative and third party products as well as increases in third party assets under management. In addition, we transferred the sponsorship functions including sales, marketing and administration of several ETFs, including our QQQ and BLDRs ETFs, to PowerShares Capital Management LLC. The transfer of the QQQ and BLDRs ETFs to PowerShares closed on March 21, 2007. In connection with the transfer, the QQQ was renamed the PowerShares QQQ Trust in March 2007. The EQQQ is scheduled to transfer to PowerShares during the second half of 2007. After the transfer, Nasdaq has maintained its status as licensor of the QQQ ETF and continues to receive license fees from this ETF as it is benchmarked against the Nasdaq-100 Index. Nasdaq will also maintain its status as licensor of the EQQQ when the sponsorship is transferred to PowerShares. This transfer expands the distribution channels for the funds and brings greater investor access to these products. As a result, the amount of licensing revenues may increase in the future. In addition, Nasdaq subsequently increased the license fee for these products which may also increase the amount of licensing revenues.

Other revenues increased in the second quarter and for the first six months of 2007 compared with the same periods last year primarily due to an increase in the number of applications seeking Portal designation. Nasdaq Financial Products, through its Portal Market, facilitates the eligibility for clearing and settlement services at Depository Trust and Clearing Corporation of Portal/Rule 144A securities.

Operating Expenses

Direct Expenses

The following table shows our direct expenses:

	Three Months Ended		Percentage	Six Months Ended		Percentage
	June 30,		Change	June 30,		Change
	2007	2006		2007	2006	
	(in millions)			(in millions)		
Compensation and benefits	\$49.7	\$ 48.0	3.5 %	\$ 94.0	\$ 96.9	(3.0)%
Marketing and advertising	4.2	3.8	10.5 %	9.1	8.9	2.2 %
Depreciation and amortization	9.8	21.5	(54.4)%	19.6	46.0	(57.4)%
Professional and contract services	8.7	7.3	19.2 %	17.0	16.2	4.9 %
Computer operations and data communications	7.9	10.3	(23.3)%	16.1	20.2	(20.3)%
Provision for bad debts	(1.4)	1.8	#	2.1	1.9	10.5 %
Occupancy	9.0	8.2	9.8 %	17.9	16.2	10.5 %
Regulatory	7.1	—	#	13.8	—	#
General, administrative and other	4.7	24.8	(81.0)%	20.8	31.5	(34.0)%
Total direct expenses	\$99.7	\$125.7	(20.7)%	\$210.4	\$237.8	(11.5)%

Denotes a variance equal to or greater than 100.0% or not meaningful.

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Compensation and benefits expense increased for the second quarter and decreased for the first six months of 2007 compared with the same periods last year. The increase in the second quarter of 2007 is primarily due to additional share-based compensation expense in 2007 due to a grant in December 2006 to all active employees. The decrease in the first six months of 2007 is primarily due to a curtailment gain of approximately \$6.1 million and cost savings as a result of the Pension Plan and SERP freeze. See Note 7, "Employee Benefits," to the condensed consolidated financial statements for further discussion. Partially offsetting the decrease in the first six months of 2007 was the additional share-based compensation expense due to the December 2006 equity grant. Also, in both the three and six months ended June 30, 2007, the reduction in force charges were lower than in the same periods last year. Headcount decreased from 904 employees at December 31, 2006 to 878 employees at June 30, 2007, primarily due to our continued reduction in force initiative.

Marketing and advertising expense slightly increased for the second quarter and for the first six months of 2007 compared with the same periods last year.

Depreciation and amortization expense decreased for the second quarter and for the first six months of 2007 compared with the same periods last year primarily due to the retirement of certain equipment which was fully amortized in December 2006 related to the migration of all trading to a single platform. These decreases were partially offset by intangible amortization expense on identifiable intangible assets acquired in our recent acquisitions.

Professional and contract services increased for the second quarter and for the first six months of 2007 compared with the same periods last year primarily due to additional costs from our recent acquisitions.

Computer operations and data communications expense decreased for the second quarter and for the first six months of 2007 compared with the same periods last year primarily due to lower costs associated with hardware leased equipment. The contract for this equipment was cancelled and charged to expense in the fourth quarter of 2006. The decreases are also due to lower costs associated with a reduced number of communication lines due to the consolidation of our data centers.

Provision for bad debts decreased in the second quarter of 2007 and slightly increased for the first six months of 2007 compared with the same periods last year. The decrease in the second quarter of 2007 was primarily due to collection of past due account balances including inactive customer accounts within the Issuer Services segment, which were previously reserved for. The increase for the first six months of 2007 was due to additional aged receivables in 2007.

Occupancy expense increased for the second quarter and for the first six months of 2007 compared with the same periods last year primarily due to additional costs from our recent acquisitions.

Regulatory expense was \$7.1 million for the second quarter of 2007 and \$13.8 million for the first six months of 2007. Since 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, continues to provide regulatory services to the Exchange, including the regulation of trading activity on The Nasdaq Stock Market and surveillance and investigative functions. The regulation charge from NASDR of \$9.1 million for the second quarter of 2006 and \$17.2 million in the first six months of 2006 was included in support costs from related parties, net. See below for further discussion. The decrease was primarily due to a reduction in surveillance and other regulatory charges by NASD and an adjustment of the allocation of its costs between members and market matters.

General, administrative and other expense decreased for the second quarter and for the first six months of 2007 compared with the same periods last year primarily due to charges recorded in the second quarter and first six months of 2006. In the second quarter and first six months of 2006, we recorded a \$12.3 million loss on the early extinguishment of the \$750.0 million senior term debt issued in December 2005, which was refinanced in April 2006. An additional \$8.6 million loss was recorded on the early extinguishment of the portion of the \$1.1 billion secured term loan of our April 2006 Credit Facility that was repaid in May 2006 as a result of the equity offering. Also, in the second quarter and first six months of 2006, a \$5.4 million charge was recorded on the write-down of a held-for-sale building to fair market value. See "Real Estate Consolidation," of Note 3, "Cost Reduction Program and INET Integration," to the condensed consolidated financial statements for further discussion. These charges were partially offset by a realized foreign currency gain related to our investment in the LSE of \$8.2 million in the second quarter and first six months of 2006. Further offsetting the decrease for the first six months of 2007 was a \$10.6 million charge recorded in the first quarter of 2007 related to a clearing contract. Our single trading platform includes functionality that enabled us to discontinue the use of services previously provided under the contract.

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Support Costs From Related Parties, net

Support costs from related parties, net were \$9.1 million for the second quarter of 2006 and \$17.2 million for the first six months of 2006. After December 20, 2006, since NASD is no longer a related party, the regulatory expense is now shown as part of direct expenses. See the description of regulatory expense under “Direct Expenses” above for further discussion.

Net Interest Expense

Net interest expense was \$15.9 million for the second quarter of 2007 as compared with \$18.1 million for the second quarter of 2006, a decrease of 12.2%, and \$33.7 million for the first six months of 2007 compared with \$30.1 million for the first six months of 2006, an increase of 12.0%. The decrease in the second quarter of 2007 was primarily due to higher cash balances and higher interest rates and lower interest expense on debt due to a lower outstanding balance for the quarter. The increase for the first six months of 2007 was primarily due to additional interest expense on debt resulting from the purchase of LSE shares, which was outstanding for the full six months in 2007. The net increase in expense for the first six months of 2007 was partially offset also by higher interest income due to higher cash balances and higher interest rates.

Loss on Foreign Currency Option Contracts

The loss on foreign currency option contracts was \$1.7 million in the second quarter of 2007 and \$9.5 million for the first six months of 2007. In the second quarter of 2007, in order to hedge the foreign currency exposure on our proposed combination with OMX, we purchased foreign currency option contracts in May 2007, at the time of the commencement of the bid. The fair value of these contracts at June 30, 2007 was approximately \$11.3 million and the unrealized loss for the quarter was \$1.7 million.

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

See Note 10, “Fair Value of Financial Instruments,” to the condensed consolidated financial statements for further discussion.

Dividend Income

Dividend income was \$14.5 million for the second quarter and first six months of 2007 as compared with \$9.2 million for the same periods in 2006. This represents ordinary dividends declared from our investment in the LSE.

Strategic Initiative Costs

In connection with our strategic initiatives related to the LSE, including our acquisition bid, we incurred legal and advisory costs of approximately \$1.6 million in the second quarter of 2007 and \$26.5 million for the first six months of 2007. See “Investment in the LSE,” of Note 4, “Investments,” to the condensed consolidated financial statements for further discussion.

Minority Interest

Minority interest was zero for the second quarter of 2007 as compared with \$0.3 million for the second quarter of 2006 and was \$0.1 million for the first six months of 2007 as compared with \$0.5 million for the first six months of 2006. 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. Reuters’ investment in the Independent Research Network has been reduced to zero due to losses incurred at the Independent Research Network and 100.0% of the losses are now recorded by us.

Income Taxes

Our income tax provision was \$38.2 million for the second quarter of 2007 as compared with \$11.1 million for the second quarter of 2006 and \$50.8 million for the first six months of 2007 compared with \$23.1 million for the first six months of 2006. The overall effective tax rate in the second quarter of 2007 was 40.5% and was 40.0% in the second quarter of 2006. The overall effective tax rate in the first six months of 2007 was 40.6% and was 40.0% in the first six months of 2006. The higher effective tax rates in 2007 is primarily due to an increase in state tax liabilities.

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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.

We adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, we recognized a \$1.0 million increase to reserves for uncertain tax positions. This increase was accounted for as an adjustment to the beginning balance of retained earnings in the condensed consolidated balance sheet. At the adoption date of January 1, 2007, we had \$9.2 million of unrecognized tax benefits of which \$7.9 million would affect our effective tax rate if recognized.

Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense. We had \$1.8 million accrued for interest, net of tax effect on January 1, 2007. There was no accrual for penalties on January 1, 2007.

Nasdaq and its eligible subsidiaries file a consolidated U.S. federal income tax return and applicable state and local income tax returns. Federal income tax returns for years 2000-2005 are currently under examination by the Internal Revenue Service. Several state tax returns are currently under examination by the respective tax authorities for years 1996-2002 and we remain subject to state audits for years 2003-2006. We expect to conclude several audits during 2007. The final outcome of such audits cannot yet be determined, however it is expected that adjustments to unrecognized benefits, if any, would be favorable. We anticipate that the adjustments would not have a material impact to our consolidated financial position or results of operations.

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:

	June 30, 2007	December 31, 2006	Percentage Change
Cash and cash equivalents	\$ 575.0	\$ 322.0	78.6%
Available-for-sale investments, at fair value	1,695.0	1,628.2	4.1%
Total	<u>\$2,270.0</u>	<u>\$ 1,950.2</u>	16.4%

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	Six Months Ended June 30,		Percentage Change
	2007	2006	
Cash provided by operating activities	\$ 180.3	\$ 95.5	88.8 %
Cash provided by (used in) investing activities	67.7	(1,110.6)	#
Cash provided by financing activities	5.0	1,338.7	(99.6)%

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 December 2006 primarily as a result of the receipt of cash from trading out of the foreign exchange contracts related to our acquisition bid for the LSE in February 2007, the receipt of an ordinary dividend from the LSE in the first quarter of 2007, collection of additional Section 31 fees and positive cash flow.

Changes in Cash Flows

Cash provided by operating activities. The following items impacted our cash provided by operating activities for the six months ended June 30, 2007:

- Net income of \$74.4 million.
- Non-cash charges of approximately \$41.4 million, comprised primarily of strategic initiative costs of \$26.5 million, a clearing contract charge of \$10.6 million, a loss on foreign currency option contracts of \$9.5 million, and depreciation and amortization of \$19.6 million, partially offset by deferred taxes, net of \$32.7 million.
- Increase in deferred revenue of \$77.7 million mainly due to Corporate Client Group's annual billings.
- An increase in Section 31 fees payable to SEC of \$72.2 million, partially offset by an increase in receivables, net of \$48.8 million. Section 31 fees payable to SEC increased due to the recording of additional Section 31 fees in connection with The Nasdaq Stock Market's operation as an exchange as well as the recording of additional rebates payable as a result of increases in market share. Receivables, net increased also due to the recording of additional Section 31 fees and Corporate Client Group's annual billings.
- Decrease in accrued personnel costs of \$21.5 million primarily due to payment of the 2006 employee incentive compensation in February 2007, partially offset by the 2007 accrual for employee incentive compensation.

During the six months ended June 30, 2006, the following items impacted our cash provided by operating activities:

- Net income of \$34.6 million.
- Non-cash charges of approximately \$60.2 million comprised primarily of depreciation and amortization of \$46.0 million and loss on the early extinguishment and refinancing of debt obligations of \$20.9 million.
- Decrease in other operating liabilities of \$48.8 million, mainly due to a decrease in accrued personnel costs of \$19.5 million, reflecting payments associated with severance liabilities and a decrease in other accrued liabilities, payables to related parties and accounts payable and accrued expenses of \$27.4 million due to timing of payments.

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 provided by (used in) investing activities. The increase in cash provided by (used in) investing activities in the first six months of 2007 compared with the first six months of 2006 is primarily attributable to purchases of available-for-sale investments, including our LSE shares of \$1.5 billion and the acquisition of Shareholder.com of \$38.1 million both in the first six months of 2006, partially offset by proceeds from redemptions and maturities of available-for-sale investments of \$421.1 million also in the first six months of 2006. In addition, in the first six months of 2007, in conjunction with the lapse of our final offers for the LSE in February 2007, we traded out of foreign currency option contracts which were purchased at the time of the commencement of our bid. These contracts were cash settled for \$63.9 million which increased our cash provided by investing activities in the first six months of 2007. Partially offsetting this increase was the \$13.0 million purchase of foreign currency option contracts for the proposed combination with OMX.

Cash provided by financing activities. Cash provided by financing activities decreased in the first six months of 2007 compared with the first six months of 2006 primarily because of proceeds we received from debt obligations and the net proceeds from our equity offerings in the first six months of 2006, partially offset by funds used for payments of our debt obligations and redemption of our Series C Cumulative preferred stock.

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Capital Resources and Working Capital

Working capital (calculated as current assets less current liabilities) was \$2.0 billion at June 30, 2007, compared with \$1.9 billion at December 31, 2006, a decrease of \$0.1 billion.

We have historically been able to generate sufficient funds from operations to meet working capital requirements. At June 30, 2007, 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.

At June 30, 2007, 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 and representation on our board of directors.

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

Broker Dealer Net Capital Requirements

Our broker-dealer subsidiaries, Nasdaq Execution Services, LLC and NASDAQ Options 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 June 30, 2007, Nasdaq Execution Services was required to maintain minimum net capital of \$0.3 million and had total net capital of approximately \$26.6 million, or \$26.3 million in excess of the minimum amount required. At June 30, 2007, NASDAQ Options Services was also required to maintain minimum net capital of \$0.3 million and had total net capital of approximately \$4.7 million, or \$4.4 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 June 30, 2007, total debt obligations outstanding under the Credit Facilities were \$1.1 billion. We also have a \$75.0 million revolving credit facility still available to drawdown under the Credit Facilities.

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.

Financing the Proposed Business Combination with OMX

Assuming full acceptance of the Offer, approximately 60.6 million new Nasdaq shares will be issued pursuant to the Offer and the total cash consideration amount payable by Nasdaq to OMX shareholders will be approximately \$1.7 billion (SEK11.4 billion). The total Offer is equivalent to \$3.7 billion (SEK 25.1 billion).

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The Offer will not be subject to any conditions concerning the availability of financing. The Banks, have agreed to finance the cash consideration of the Offer pursuant to an interim loan agreement. See Note 14, "Proposed Business Combination with OMX," to the condensed consolidated financial statements for further discussion.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Investments

We maintain an investment portfolio of various holdings, types, and maturities. See Note 4, "Investments," to the condensed consolidated financial statements for further discussion. These securities are classified as available-for-sale and are recorded in the Condensed 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 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 three and six months ended June 30, 2007 and 2006.

As of June 30, 2007, 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 June 30, 2007, our fixed income securities have an average duration of 0.08 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 June 30, 2007.

Investment in the LSE

As of June 30, 2007, we own approximately 30.5% of the issued share capital of the LSE. The cost of this investment is approximately GBP 736.5 million, or \$1,334.8 million. This investment is accounted for under SFAS 115 with any unrealized gains or losses, including foreign currency fluctuations, recorded as a separate component of accumulated other comprehensive income, net of tax until sold or redeemed.

The fair market value of our investment in the LSE is subject to market price volatility. As of June 30, 2007 the gross unrealized gain on our investment in the LSE was approximately \$332.8 million which includes foreign currency gains.

We had purchased foreign currency option contracts in order to hedge the foreign exchange exposure on our acquisition bid for the LSE. This position was marked-to-market at each reporting period resulting in gains and losses, which are included in net income. As of December 31, 2006, the gain recorded in the Consolidated Statements of Income was \$48.4 million. In conjunction with the lapse of our final offers for the LSE, we traded out of these foreign exchange contracts in February 2007. Due to the improving exchange rate of the dollar when compared to the pound sterling, we recorded a mark to market loss of approximately \$7.8 million on these foreign currency option contracts in first quarter of 2007 results. The cumulative realized pre-tax gain on the foreign currency option contracts was approximately \$40.6 million. See Note 10, "Fair Value of Financial Instruments," to the condensed consolidated financial statements for further discussion.

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Debt Obligations

At June 30, 2007, 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 June 30, 2007. However, due to the stock appreciation on the convertible option feature from \$14.50 at the time of issuance to \$29.71 at June 30, 2007, the fair value of Nasdaq's convertible notes exceeds its carrying value.

As of June 30, 2007, 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.

System trades in Nasdaq-listed securities, NYSE-listed securities and those routed to other market centers for Exchange members 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 Condensed 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.

Item 4. 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 of 1934 (the "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 control over financial reporting** . There have been no changes in Nasdaq's internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, Nasdaq's internal control over financial reporting.

The Nasdaq Stock Market, Inc.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any litigation that we believe could have a material adverse effect on our business, consolidated 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 1A. Risk Factors

Please refer to our most recent Form 10-K to read about the material risks we face.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Repurchases made in the fiscal quarter ended June 30, 2007 (in whole number of shares):

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Units)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 2007	—	—	—	—
May 2007	31,055	\$ 31.80	—	—
June 2007	—	—	—	—
Total	31,055	—	—	—

The shares repurchased during May 2007 were acquired from employees in connection with the settlement of income tax and related benefit withholding obligations arising from vesting in restricted stock grants.

Item 3. Defaults upon Senior Securities

None

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

At our annual meeting of stockholders on May 23, 2007, the following matters set forth in our Proxy Statement dated April 20, 2007, which was filed with the SEC pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, were voted upon with the results indicated below.

- The nominees listed below were elected directors for one-year terms with the respective votes set forth opposite their names.

	For	Withheld
H. Furlong Baldwin	91,937,162	1,780,548
Michael Casey	91,470,695	2,247,015
Daniel Coleman	92,003,639	1,714,071
Lon Gorman	91,992,033	1,725,677
Robert Greifeld	91,971,501	1,746,209
Patrick J. Healy	91,966,881	1,750,829
Glenn H. Hutchins	91,429,347	2,288,363
Merit E. Janow	92,008,373	1,709,337
John D. Markese	92,001,292	1,716,418
Thomas F. O'Neill	91,964,203	1,753,507
James S. Riepe	92,003,664	1,714,046
Thomas G. Stemberg	91,986,931	1,730,779
Deborah L. Wince-Smith	91,989,029	1,728,681

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2. A proposal seeking ratification of the appointment of Ernst & Young LLP as Nasdaq's independent registered public accounting firm for the fiscal year ending December 31, 2007, was approved, with 92,260,445 votes cast for, 830,215 votes cast against, and 627,050 abstentions.
3. A proposal seeking approval of Nasdaq's amended and restated equity incentive plan to, among other things, allow grants of performance compensation awards, was approved, with 49,193,521 votes cast for, 20,805,500 votes cast against, 138,428 abstentions and 23,580,261 broker non-votes.

Item 5. Other Information

The information set forth under "Financing the Offer" in Part I, Item 1, Note 14 is incorporated herein by reference.

Item 6. Exhibits

The exhibits required by this item are listed on the Exhibit Index.

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SIGNATURES

Pursuant to the requirements 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.

THE NASDAQ STOCK MARKET, INC.
(Registrant)

Date: August 1, 2007

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

Date: August 1, 2007

By: _____ /s/ DAVID P. WARREN
Name: **David P. Warren**
Title: ***Executive Vice President and Chief Financial Officer***

Exhibit Index

<u>Exhibit Number</u>	
10	Interim Loan Agreement, dated August 1, 2007 among The Nasdaq Stock Market, Inc., as Borrower, Bank of America, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., as Syndication Agent and the other lenders party thereto.
11	Statement regarding computation of per share earnings (incorporated herein by reference from Note 9 to the condensed consolidated financial statements under Part I, Item 1 of this Form 10-Q).
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.

INTERIM LOAN AGREEMENT

Dated as of August 1, 2007

among

THE NASDAQ STOCK MARKET, INC.,
as the Borrower

and

BANK OF AMERICA, N.A.,
as Administrative Agent,

and

JPMORGAN CHASE BANK, N.A.,
as Syndication Agent

and

The Other Lenders Party Hereto

BANC OF AMERICA SECURITIES LLC
and

J.P. MORGAN SECURITIES INC.,
as Joint Lead Arrangers and Joint Bookrunners

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- 2.01 Commitments and Applicable Percentages
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EXHIBITS

- Form of*
- A Committed Loan Notice

CREDIT AGREEMENT

This CREDIT AGREEMENT (“Agreement”) is entered into as of August 1, 2007, among The NASDAQ Stock Market, Inc., a Delaware corporation (the “Borrower”), each lender from time to time party hereto (collectively, the “Lenders” and individually, a “Lender”), and Bank of America, N.A., as Administrative Agent.

PRELIMINARY STATEMENTS :

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms . As used in this Agreement, the following terms shall have the meanings set forth below:

“Acquisition Agreement” shall mean the Transaction Agreement, dated as of May 25, 2007, by and among the Borrower and the Target.

“Administrative Agent” means Bank of America, N.A., in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

“Administrative Agent’s Office” means the Administrative Agent’s address and, as appropriate, account as set forth on Schedule 11.02, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Aggregate Commitments” means the Commitments of all the Lenders.

“Agreement” means this Interim Loan Agreement.

“Applicable Percentage” means, with respect to any Lender at any time, the percentage (carried out to the ninth decimal place) of the Facility represented by the sum of (x) such Lender’s Commitment at such time and (y) such Lender’s Loans at such time.

“Applicable Rate” means, 0.75% per annum for Base Rate Loans and 1.75% per annum for Eurodollar Rate Loans.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Assignee Group” means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 11.06(b)), and accepted by the Administrative Agent, in any form approved by the Administrative Agent.

“Back Stop Date” means February 29, 2008.

“Base Rate” means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus $\frac{1}{2}$ of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by the Administrative Agent as its “prime rate.” The “prime rate” is a rate set by the Administrative Agent based upon various factors including the Administrative Agent’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by the Administrative Agent shall take effect at the opening of business on the day specified in the public announcement of such change.

“Base Rate Loan” means a Loan that bears interest based on the Base Rate.

“Borrower” has the meaning specified in the introductory paragraph hereto.

“Borrower Materials” has the meaning specified in Section 6.02.

“Borrowing” means a borrowing consisting of simultaneous Loans of the same Type and, in the case of Eurodollar Rate Loans, having the same Interest Period made by each of the Lenders pursuant to Section 2.01.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent’s Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any Law, rule, regulation or treaty, (b) any change in any Law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of Law) by any Governmental Authority.

“Change of Control” means an event or series of events by which:

(a) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934), directly or indirectly, of 35% or more of the equity securities of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully-diluted basis; or

(b) during any period of 24 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was

approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors).

“Closing Date” means the first date all the conditions precedent in Article IV are satisfied or waived in accordance with Section 11.01.

“Code” means the Internal Revenue Code of 1986, as amended.

“Collateral” means any assets of any Loan Party purported to be subject to any Lien in favor of the Administrative Agent pursuant to any Loan Document.

“Collateral Agreement” means a Guarantee and Collateral Agreement, substantially in the form contemplated by the November Credit Agreement with such modifications as may be reasonably required by the Administrative Agent in order to provide the Lenders with the benefits of the security interests and guarantees thereunder and such changes thereto as are required to make it consistent with Annex I to the Commitment Letter.

“Commitment” means, as to each Lender, its obligation to make Loans to the Borrower pursuant to Section 2.01 in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender’s name on Schedule 2.01 under the caption “Commitment”.

“Commitment Letter” meant the Commitment Letter, dated as of May 24, 2007, by and among Bank of America, N.A., JPMorgan Chase Bank, N.A., Banc of America Securities LLC, J.P. Morgan Securities Inc. and the Borrower, as amended on August 1, 2007.

“Committed Loan Notice” means a notice of (a) a Borrowing, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Eurodollar Rate Loans, pursuant to Section 2.02(a), which, if in writing, shall be substantially in the form of Exhibit A.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Credit Documentation” has the meaning given such term by the Commitment Letter.

“Debtor Relief Laws” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means when used with respect to Obligations, an interest rate equal to (i) the Base Rate plus (ii) the Applicable Rate, if any, applicable to Base Rate plus (iii) 2% per annum; provided, however, that with respect to a Eurodollar Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Rate) otherwise applicable to such Loan plus 2% per annum.

“Dollar” and “\$” mean lawful money of the United States.

“Eligible Assignee” means any Person that meets the requirements to be an assignee under Section 11.06(b)(iii), (v) and (vi) (subject to such consents, if any, as may be required under Section 11.06(b)(iii)).

“Enforcement Action” means each of the following actions by or required by a Lender or the Administrative Agent:

- (a) cancellation of any of its Commitments under the Loan Documents;
- (b) exercise of any of its rights under Article VIII, including making of any demand for repayment, acceleration or cancellation;
- (c) enforcement of any Collateral Agreement or other guarantee or Lien given in connection with the Loan Documents;
- (d) rescission, termination or cancellation of the Loan Documents or any of the Facilities or the exercise of any similar right or remedy to make or enforce any claim under the Loan Documents; and
- (e) refusal to participate in the making of any Loan.

“Environmental Laws” means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower, any other Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Equity Interests” means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or

other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

“Eurodollar Rate” means, for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to the British Bankers Association LIBOR Rate (“BBA LIBOR”), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the “Eurodollar Rate” for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by the Administrative Agent and with a term equivalent to such Interest Period would be offered by the Administrative Agent’s London Branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period.

“Eurodollar Rate Loan” means a Loan that bears interest at a rate based on the Eurodollar Rate.

“Event of Default” has the meaning specified in Section 8.01.

“Excluded Taxes” means, with respect to the Administrative Agent or any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 11.13), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or is attributable to such Foreign Lender’s failure or inability (other than as a result of a Change in Law) to comply with Section 3.01(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 3.01(a).

“Facility” means the Commitments and the Loans.

“Federal Funds Rates” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of $1/100$ of 1%) charged to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

“Fee Letter” shall have the meaning given such term by the Commitment Letter.

“Foreign Lender” means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

“FRB” means the Board of Governors of the Federal Reserve System of the United States.

“Fund” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantor” means each Subsidiary of the Borrower (excluding the Target and its Subsidiaries) that meets the definition of “Subsidiary Loan Party” in the November Credit Agreement.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Indemnitees” has the meaning specified in Section 11.04(b).

“Information” has the meaning specified in Section 11.07.

“Interest Payment Date” means, (a) as to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date and (b) as to any Base Rate Loan, the last Business Day of each March, June, September and December and the Maturity Date.

“Interest Period” means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one or two weeks thereafter, as selected by the Borrower in its Committed Loan Notice; provided that:

(a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day; and

(b) no Interest Period shall extend beyond the Maturity Date of the Facility under which such Loan was made.

“IRS” means the United States Internal Revenue Service.

“Joint Lead Arrangers” means Banc of America Securities LLC and J.P. Morgan Securities Inc.

“Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of Law.

“Lender” has the meaning specified in the introductory paragraph hereto.

“Lending Office” means, as to any Lender, the office or offices of such Lender described as such in such Lender’s Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Lender” means, at any time, any Lender that has a Commitment at such time or that holds Loans at such time.

“Loan” means an advance made by any Lender under the Facility.

“Loan Documents” means, collectively, (a) this Agreement, (b) the Notes, (c) the Collateral Agreement and (d) each Mortgage.

“Loan Parties” means, collectively, the Borrower and each Guarantor.

“Major Default” means an Event of Default under any of clauses (a)(i), (a)(ii) and (b) through (e) of Section 8.01.

“Major Representation” means any of the representations set forth in Section 5.01, 5.02, 5.04, or 5.05 insofar as they relate to the Borrower and its Subsidiaries (other than the Target and its Subsidiaries).

“Material Adverse Effect” means a material adverse effect on (a) the business, operations, properties or financial condition of the Borrower and the Subsidiaries, taken as a whole, (b) the ability of any Loan Party to perform any of its material obligations under any Loan Document or (c) the rights of or remedies available to the Lenders under any Loan Document.

“Maturity Date” means the 30th Business Day following the Closing Date.

“Mortgage” means a mortgage, deed of trust, assignment of leases and rents, leasehold mortgage or other security document granting a Lien on any Mortgaged Property to secure the Obligations. Each Mortgage shall be reasonably satisfactory in form and substance to the Administrative Agent.

“Mortgaged Property” means, initially, each parcel of real property and the improvements thereto owned by a Loan Party on the Closing Date which would have been required to be mortgaged pursuant to the terms of the November Credit Agreements (as a result of being identified on Schedule 1.03 thereto or pursuant to the covenants set forth in Section 5.12 or 5.13), but with exclusions consistent with the Commitment Letter.

“Note” means a promissory note made by the Borrower in favor of a Lender evidencing Loans made by such Lender, in a form supplied by the Administrative Agent.

“November Credit Agreement” means that certain Credit Agreement, dated as of November 20, 2006, by and among, Borrower, the Administrative Agent and the other parties named therein.

“NPL” means the National Priorities List under CERCLA.

“Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, the Borrower arising under any Loan Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against the Borrower or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

“Offer” means the offer to purchase the shares in Target pursuant to the Offer Document.

“Offer Document” means the document registered with the Swedish Financial Supervisory Authority (*Sw: Finansinspektionen*) to be distributed to the shareholders of the Target pursuant to which the Borrower, *inter alia* , makes an offer to acquire all shares in the Target on the terms set forth in the Acquisition Agreement.

“Offer Expiry Date” means the date falling immediately after the date upon which the Offer lapses, it is withdrawn or expires, in each case without having been successful.

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Other Taxes” means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“Outstanding Amount” means with respect to Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Loans occurring on such date.

“Participant” has the meaning specified in Section 11.06(d).

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Platform” has the meaning specified in Section 6.02.

“Public Lender” has the meaning specified in Section 6.02.

“Register” has the meaning specified in Section 11.06(c).

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates, including, without limitation, in the case of Bank of America, N.A., Banc of America Securities LLC and in the case of JPMorgan Chase Bank, N.A., J.P. Morgan Securities Inc.

“Required Lenders” means, as of any date of determination, at least two Lenders holding more than 50% of the sum of the (a) Total Outstandings and (b) aggregate unused Commitments.

“Responsible Officer” means the chief executive officer, president, chief financial officer, treasurer, assistant treasurer or controller of any Loan Party. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“Solvent” and “Solvency” mean, with respect to any Person on any date of determination, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person’s ability to pay such debts and liabilities as they mature, (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person’s property would constitute an unreasonably small capital, and (e) such Person is able to pay its debts and liabilities, contingent obligations and other commitments as they mature in the ordinary course of business. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“Squeeze-Out Procedure” means the procedure set out in Chapter 22 of the Swedish Companies Act (and including appointment of arbitrators and the composition of an arbitration tribunal) for the compulsory acquisition of any share, warrant and/or convertibles in the Target that have not been acquired under the Offer.

“Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of the Borrower.

“Syndication Agent” means JPMorgan Chase Bank, N.A.

“Target” means OMX AB a company duly incorporated and organized under the laws of Sweden, with corporate registration number 556243-8001, having its principal office at Tullvaktsvägen 15, 105 78 Stockholm, Sweden .

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Total Outstandings” means the aggregate Outstanding Amount of all Loans.

“Transaction s” has the meaning given such term by the Commitment Letter.

“Type” means, with respect to a Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

“United States” and “U.S.” mean the United States of America.

1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth in the Commitment Letter), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “herein,” “hereof” and “hereunder,” and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such reference appears, (v) any reference to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such Law and any reference to any Law or regulation shall, unless otherwise specified, refer to such Law or regulation as amended, modified or supplemented from time to time, and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including,” the words “to” and “until” each mean “to but excluding,” and the word “through” means “to and including.”

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

ARTICLE II THE COMMITMENTS AND CREDIT EXTENSIONS

2.01 The Loans.

Subject to the terms and conditions set forth herein, each Lender severally agrees to make a loan to the Borrower on the Closing Date in an amount not to exceed such Lender’s Commitment. The Borrowing shall consist of Loans made simultaneously by the Lenders in accordance with their respective Applicable Percentages. Amounts borrowed under this Section 2.01 and repaid or prepaid may not be reborrowed. Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

2.02 Borrowings, Conversions and Continuations of Loans.

(a) Each Borrowing, each conversion of Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon the Borrower’s irrevocable notice to the Administrative Agent, which may be given by telephone. Each such notice must be received by the Administrative Agent not later than 11:00 a.m. (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Rate Loans or of any conversion of Eurodollar Rate Loans to Base Rate Loans and (ii) on the requested date of any Borrowing of Base Rate Loans. Each telephonic notice by the Borrower pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Committed Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof. Each Borrowing of or conversion to Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof. Each Committed Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower is requesting a Borrowing, a conversion of Loans from one Type to the other or a continuation of Eurodollar Rate Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Borrower fails to specify a Type of Loan in a Committed Loan Notice or if the Borrower fails to give a timely notice requesting a conversion or continuation, then the Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Borrower requests a Borrowing of, conversion to, or continuation of Eurodollar Rate Loans in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one week.

(b) Following receipt of a Committed Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount of its Applicable Percentage of the Loans, and if no timely

notice of a conversion or continuation is provided by the Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans described in Section 2.02(a). In the case of a Borrowing, each Lender shall make the amount of its Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 1:00 p.m. on the Business Day specified in the applicable Committed Loan Notice. Upon satisfaction of the applicable conditions set forth in Article IV, the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by (i) crediting the account of the Borrower on the books of the Administrative Agent with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower.

(c) Except as otherwise provided herein, a Eurodollar Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate Loan. During the existence of an Event of Default, no Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Required Lenders.

(d) The Administrative Agent shall promptly notify the Borrower and the Lenders of the interest rate applicable to any Interest Period for Eurodollar Rate Loans upon determination of such interest rate. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrower and the Lenders of any change in the Administrative Agent's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(e) After giving effect to all Borrowings, all conversions of Loans from one Type to the other, and all continuations of Loans as the same Type, there shall not be more than 5 Interest Periods in effect in respect of the Loans.

2.03 [Reserved].

2.04 [Reserved].

2.05 Prepayments.

The Borrower may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay Loans in whole or in part without premium or penalty; provided that (A) such notice must be received by the Administrative Agent not later than 11:00 a.m. (1) three Business Days prior to any date of prepayment of Eurodollar Rate Loans and (2) on the date of prepayment of Base Rate Loans; (B) any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof; and (C) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid and, if Eurodollar Rate Loans are to be prepaid, the Interest Period(s) of such Loans. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's ratable portion of such prepayment (based on such Lender's Applicable Percentage). If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Each prepayment of outstanding Loans pursuant to this Section 2.05 shall be paid to the Lenders as set forth in Section 2.12(a) hereof and in accordance with their respective Applicable Percentages.

2.06 Termination or Reduction of Commitments.

The Aggregate Commitments shall be automatically and permanently reduced to zero at 5:00 p.m. on the Closing Date (or, on such earlier date as may be provided in Article VII).

2.07 Repayment of Loans.

The Borrower shall repay to the Lenders the aggregate principal amount of all Loans outstanding on the Maturity Date.

2.08 Interest.

(a) Subject to the provisions of Section 2.08(b), (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the Applicable Rate; and (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate.

(b) (i) If any amount of principal of any Loan is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(ii) If any amount (other than principal of any Loan) payable by any Loan Party under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, then upon the request of the Required Lenders such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(iii) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.09 Fees.

The Borrower shall pay to the Joint Lead Arrangers and the Administrative Agent for their own respective accounts fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

2.10 Computation of Interest and Fees.

All computations of interest for Base Rate Loans when the Base Rate is determined by the Administrative Agent's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more interest being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid,

provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Administrative Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.11 Evidence of Debt.

The Loans made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Loans made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

2.12 Payments Generally; Administrative Agent's Clawback.

(a) General. All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 2:00 p.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected on computing interest or fees, as the case may be.

(b) (i) Funding by Lenders ; Presumption by Administrative Agent. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing of Eurodollar Rate Loans (or, in the case of any Borrowing of Base Rate Loans, prior to 12:00 noon on the date of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.02 (or in the case of a Borrowing of Base Rate Loans, that such Lender has made such share available in accordance with and at the time required by Section 2.02) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (A) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, plus any administrative, processing or similar fees customarily charged by the Administrative Agent in connection with

the foregoing, and (B) in the case of a payment to be made by the Borrower, the interest rate applicable to Base Rate Loans. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Payments by Borrower; Presumptions by Administrative Agent. Unless the Administrative Agent shall have received notice from the Borrower prior to the time at which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the applicable Borrowing set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Loans and to make payments pursuant to Section 11.04(c) are several and not joint. The failure of any Lender to make any Loan or to make any payment under Section 11.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, to purchase its participation or to make its payment under Section 11.04(c).

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

(f) Insufficient Funds. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, toward payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, toward payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

2.13 Sharing of Payments by Lenders. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of (a) Obligations due and payable to

such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations due and payable to such Lender at such time to (ii) the aggregate amount of the Obligations due and payable to all Lenders hereunder and under the other Loan Documents at such time) of payments on account of the Obligations due and payable to all Lenders hereunder and under the other Loan Documents at such time obtained by all the Lenders at such time or (b) Obligations in respect of any of the Facility owing (but not due and payable) to such Lender hereunder and under the other Loan Documents at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations owing (but not due and payable) to such Lender at such time to (ii) the aggregate amount of the Obligations owing (but not due and payable) to all Lenders hereunder and under the other Loan Parties at such time) of payment on account of the Obligations owing (but not due and payable) to all Lenders hereunder and under the other Loan Documents at such time obtained by all of the Lenders at such time then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participation in the Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of Obligations then due and payable to the Lenders or owing (but not due and payable) to the Lenders, as the case may be, provided that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section shall not be construed to apply to (A) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or (B) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this Section shall apply).

The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

ARTICLE III TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes, provided that if the Borrower shall be required by applicable Law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or any Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable Law.

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of subsection (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable Law.

(c) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent and each Lender, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the Law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable Law or reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by applicable Law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable Law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

Without limiting the generality of the foregoing, if the Borrower is resident for tax purposes in the United States, any Foreign Lender shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(i) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party,

(ii) duly completed copies of Internal Revenue Service Form W-8ECI,

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (A) a certificate to the effect that such Foreign Lender is not (1) a “bank” within the meaning of section 881(c)(3)(A) of the Code, (2) a “10 percent shareholder” of the Borrower within the meaning of section 881(c)(3)(B) of the Code, or (3) a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code and (B) duly completed copies of Internal Revenue Service Form W-8BEN, or

(iv) any other form prescribed by applicable Law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by applicable Law to permit the Borrower to determine the withholding or deduction required to be made.

(f) Treatment of Certain Refunds. If the Administrative Agent or any Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority with respect to such refund) to the Administrative Agent or such Lender if the Administrative Agent or such Lender is required to repay such refund (or any such penalties, interest or other charges imposed by the relevant Governmental Authority with respect to such refund) to such Governmental Authority. This subsection shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

3.02 Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority having or claiming to have jurisdiction over such Lender has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, or any Governmental Authority having or claiming to have jurisdiction over such Lender has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Loans to Eurodollar Rate Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all Eurodollar Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

3.03 Inability to Determine Rates. If the Required Lenders determine that for any reason in connection with any request for a Eurodollar Rate Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and Interest Period of such Eurodollar Rate Loan, (b) adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan, or (c) the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Rate Loans or, failing that, will be deemed to have converted such request into a request for a Committed Borrowing of Base Rate Loans in the amount specified therein.

3.04 Increased Costs.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 3.04(e));

(ii) subject any Lender to any tax of any kind whatsoever with respect to this Agreement or any Eurodollar Rate Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 3.01 and the imposition of, or any change in the rate of, any Excluded Tax payable by such Lender); or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Rate Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Rate Loan (or of maintaining its obligation to make any such Loan), or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or any other amount) then, upon request of such Lender, the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any Lending Office of such Lender or such Lender's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than 270 days prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Reserves on Eurodollar Rate Loans. The Borrower shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as “Eurocurrency liabilities”), additional interest on the unpaid principal amount of each Eurodollar Rate Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, provided the Borrower shall have received at least 10 days’ prior written notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice 10 days prior to the relevant Interest Payment Date, such additional interest shall be due and payable 10 days from receipt of such notice.

3.05 Compensation for Losses. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Eurodollar Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower; or

(c) any assignment of a Eurodollar Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower pursuant to Section 11.13;

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

3.06 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 3.04, or the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender gives a notice pursuant to Section 3.02, then such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, the Borrower may replace such Lender in accordance with Section 11.13.

3.07 Survival. All of the Borrower's obligations under this Article III shall survive termination of the Aggregate Commitments and repayment of all other Obligations hereunder.

ARTICLE IV CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

The obligation of each Lender to make its Loans hereunder is subject to satisfaction of the following conditions precedent prior to the Back Stop Date:

(a) The Administrative Agent's receipt of the following, each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each dated a date on or prior to the Closing Date and each in form and substance satisfactory to the Administrative Agent and each of the Lenders:

(i) executed counterparts of the Collateral Agreement from the Borrower and each Guarantor together with (w) Uniform Commercial Code financing statements for the Borrower and each Guarantor in appropriate form for filing with the Secretary of State of each applicable jurisdiction and (x) stock certificates and stock powers in favor of the Administrative Agent with respect to all certificated Equity Interests pledged thereunder to the extent required by the Collateral Agreement, (y) all other agreements and instruments required to be delivered in order to provide the Administrative Agent, or perfect the Administrative Agent's security interest in, the Collateral described in Annex I to the Commitment Letter, (z) an executed Mortgage in appropriate form for recording with respect to each Mortgaged Property (and any surveys, title insurance and, to the extent required by law, flood insurance, requested by the Administrative Agent with respect to such Mortgage Property); provided that, to the extent any Collateral (other than the pledge and perfection of the security interests in the capital stock of wholly-owned domestic Subsidiaries held by the Loan Parties (to the extent required by the Collateral Agreement) and other assets pursuant to which a Lien may be perfected by the filing of a financing statement under the Uniform Commercial Code) is not provided on the Closing Date after the Borrower has used commercially reasonable efforts to do so, the delivery of such Collateral shall not constitute a condition precedent to the availability of the Loans on the Closing Date but shall be required to be delivered after the Closing Date pursuant to Section 6.11;

(ii) lien searches with respect to each Loan Party in such jurisdictions as may be reasonably requested by the Administrative Agent;

(iii) a copy of the Offer Document and the initial press release announcing the Offer;

(iv) a Note executed by the Borrower in favor of each Lender requesting a Note;

(v) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party or is to be a party;

(vi) a certificate of good standing for each Loan Party from its jurisdiction of organization;

(vii) a certificate signed by the Chief Financial Officer of the Borrower certifying as to the solvency of the Borrower and its Subsidiaries (on a consolidated basis) after giving effect to the Transactions and the incurrence of all indebtedness related thereto;

(viii) a favorable opinion of Skadden, Arps, Slate, Meagher & Flom LLP, counsel to the Loan Parties, and local counsel to the Loan Parties, addressed to the Administrative Agent and each Lender, as to customary matters concerning the Loan Parties and the Loan Documents.

(b) The Acquisition Agreement shall have not been amended or modified in any respect that is materially adverse to the Lenders without the consent of the Lead Arrangers (which consent shall not be unreasonably withheld). The conditions to the completion of the Offer (as defined in the Acquisition Agreement) set forth in the Acquisition Agreement shall have been satisfied in all material respects in accordance with the Acquisition Agreement without any waiver by the Borrower that is materially adverse to the Lenders unless the Lead Arrangers shall have consented to such waiver, which consent shall not be unreasonably withheld (it is understood and agreed that any amendments or waivers to the conditions numbered 8 (material adverse change) and 9 (no materially inaccurate disclosures) shall be deemed materially adverse to the Lenders). Notwithstanding the foregoing, this condition shall be deemed to be satisfied on the Closing Date if the terms of the Acquisition Agreement (as it may have been amended as permitted above) do not permit the Borrower to withdraw the Offer on such date.

(c) The Offer shall have been accepted to such an extent that the Borrower becomes the owner of shares representing more than 90% of the outstanding shares of the Target on a fully diluted basis.

(d) All accrued fees and expenses of the Administrative Agent and the Lead Arrangers (including the fees and expenses of counsel for the Administrative Agent and the Lead Arrangers and local and special counsel for the Administrative Agent and the Lead Arrangers) shall have been paid. The Borrower shall have paid all items then due and payable under the Fee Letter.

(e) The Major Representations shall be true and correct on and as of the Closing Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date.

(f) No Major Default shall be continuing, or would result from such proposed Loan or from the application of the proceeds thereof.

(g) The Administrative Agent shall have received a Committed Loan Notice in accordance with the requirements hereof.

Any Committed Loan Notice (other than a Committed Loan Notice requesting only a conversion of Loans to the other Type or a continuation of Eurodollar Rate Loans) submitted by the Borrower shall be deemed to be a representation and warranty that the conditions specified in clauses (b), (c), (e) and (f) have been satisfied on and as of the Closing Date.

ARTICLE V REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent and the Lenders that:

5.01 Existence, Qualification and Power. Each Loan Party and each of its Subsidiaries (a) is duly organized or formed, validly existing and, as applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization, and (b) has all requisite corporate power and authority to (i) carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party; except where the failure to have the same could not individually or in the aggregate reasonably be expected to result in a Material Adverse Effect.

5.02 Authorization. The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is or is to be a party have been duly authorized by all necessary corporate or other organizational action.

5.03 Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with (a) the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document, or for the consummation of the Transactions, (b) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (c) the perfection or maintenance of the Liens created under the Collateral Documents or (d) the exercise by the Administrative Agent or any Lender of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents. All applicable waiting periods in connection with the Transactions have expired without any action having been taken by any Governmental Authority restraining, preventing or imposing materially adverse conditions upon the Transactions or the rights of the Loan Parties or their Subsidiaries freely to transfer or otherwise dispose of, or to create any Lien on, any properties now owned or hereafter acquired by any of them.

5.04 Binding Effect. This Agreement has been, and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by each Loan Party that is party thereto. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of such Loan Party, enforceable against each Loan Party that is party thereto in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at Law.

5.05 Margin Regulations ; Investment Company Act.

(a) The Borrower is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock. Following the application of the proceeds of each Borrowing, not more than 25% of the value of the assets (either of the Borrower only or of the Borrower and its Subsidiaries on a consolidated basis) will be margin stock.

(b) None of the Borrower, any Person Controlling the Borrower, or any Subsidiary is or is required to be registered as an “investment company” under the Investment Company Act of 1940.

5.06 Disclosure. No report, financial statement, certificate or other information furnished (whether in writing or orally) by or on behalf of any Loan Party to the Administrative Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder or under any other Loan Document (in each case as modified or supplemented by other information so furnished and taken as a whole) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not materially misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time made.

5.07 Compliance with Laws. Each Loan Party and each Subsidiary thereof is in compliance in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.08 Solvency. After giving effect to the Transactions, the Borrower is, together with its Subsidiaries on a consolidated basis, Solvent.

ARTICLE VI AFFIRMATIVE COVENANTS

From and after the Closing Date and only for so long as any Loan shall have been made pursuant to Section 2.01 and shall remain unpaid or unsatisfied, the Borrower shall, and shall cause each Subsidiary to:

6.01 Financial Statements. File with the SEC, all annual and quarterly financial information required pursuant to the rules of the SEC within the time periods required by the SEC.

6.02 Certificates; Other Information. Deliver to the Administrative Agent and each Lender, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(a) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Borrower, and copies of all annual, regular, periodic and special reports and registration statements which the Borrower may file or be required to file with the SEC under Section 13 or 15(d) of the Securities Exchange Act of 1934, or with any national securities exchange, and in any case not otherwise required to be delivered to the Administrative Agent pursuant hereto;

(b) promptly after the furnishing thereof, copies of any statement or report furnished to any holder of debt securities of any Loan Party or of any of its Subsidiaries pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Lenders pursuant to any other clause of this Section 6.02;

(c) promptly, and in any event within five Business Days after receipt thereof by any Loan Party or any Subsidiary thereof, copies of each notice or other correspondence received from the SEC (or comparable agency in any applicable non-U.S. jurisdiction) concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of any Loan Party or any Subsidiary thereof;

(d) promptly after the assertion or occurrence thereof, notice of any action or proceeding against or of any noncompliance by any Loan Party or any of its Subsidiaries with any Environmental Law or Environmental Permit that could reasonably be expected to have a Material Adverse Effect;

(e) promptly, such additional information regarding the business, financial, legal or corporate affairs of any Loan Party or any Subsidiary thereof, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may from time to time reasonably request.

Documents required to be delivered pursuant to Section 6.02(d) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address listed on Schedule 11.02; or (ii) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Borrower shall notify the Administrative Agent and each Lender (by telecopier or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions i.e., soft copies) of such documents. The Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower hereby acknowledges that (a) the Administrative Agent and/or the Arranger will make available to the Lenders materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform") and (b) certain of the Lenders (each, a "Public Lender") may have personnel who do not wish to receive material non-public information with respect to the Borrower or its Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities. The Borrower hereby agrees that it will use commercially reasonable efforts to identify that portion of the Borrower Materials that may be distributed to the Public Lenders and that (w) all such Borrower Materials shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent and the Lenders to treat such Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Borrower or its securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 11.07); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor"; and (z) the Administrative Agent and the Arranger shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor."

6.03 Notices. Promptly notify the Administrative Agent and each Lender:

(a) of the occurrence of any Default;

(b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Borrower or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the Borrower or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Borrower or any Subsidiary, including pursuant to any applicable Environmental Laws; and

(c) of any material change in accounting policies or financial reporting practices by any Loan Party or any Subsidiary thereof; and

Each notice pursuant to Section 6.03 shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower has taken and proposes to take with respect thereto. Each notice pursuant to Section 6.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

6.04 Payment of Obligations. Except as would not have a Material Adverse Effect, pay and discharge as the same shall become due and payable, all its obligations and liabilities, including (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary; and (b) all lawful claims which, if unpaid, would by Law become a Lien upon its property.

6.05 Preservation of Existence, Etc. (a) Preserve, renew and maintain in full force and effect the Borrower's and, except as would not have a Material Adverse Effect, each Subsidiary's, legal existence and good standing under the Laws of the jurisdiction of its organization ; (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

6.06 Maintenance of Properties. (a) Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; and (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to comply with clause (a) or (b) above could not reasonably be expected to have a Material Adverse Effect.

6.07 Compliance with Laws. Comply in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

6.08 Books and Records. Maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP or IFRS, as applicable, consistently applied shall be made of all financial transactions and matters involving the assets and business of the Borrower or such Subsidiary, as the case may be.

6.09 Inspection Rights. Permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties (on no more than two occasions prior to the Maturity Date), to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of the Borrower and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Borrower; provided, however, that when an Event of Default exists the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice.

6.10 Use of Proceeds. Use the proceeds of the Loans only to purchase Equity Interests in accordance with the Offer, repay existing bank indebtedness of the Borrower, repay certain indebtedness of Target and its Subsidiaries and to pay fees and expenses related to the Transactions.

6.11 Post-Closing Collateral. To the extent that any Lien in favor of the Administrative Agent pursuant to the Collateral Agreement or any Mortgage which would have been required to be provided or perfected on the Closing Date pursuant to clause (a) of Article IV (but for the proviso to such clause) has not been provided or perfected on the Closing Date, the Borrower will use its reasonable best efforts to perfect such Lien as promptly as is reasonably practicable following the Closing Date.

6.12 Squeeze-Out Procedures. As soon as reasonably practicable following the acquisition (including, by virtue of the Offer or by any separate contract) by it of effective ownership and control of more than ninety percent (90%) of the shares of Target, the Borrower will implement the Squeeze-Out Procedure and seek to obtain advance access (*Sw: förhandstillträde*) to the shares of Target as soon as commercially reasonable.

ARTICLE VII OFFER COVENANT

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, the Borrower shall comply with the following covenant:

If at any time the Offer is terminated or withdrawn without being successful, the Borrower shall give notice to the Administrative Agent (who shall promptly notify the Lenders) that the same has occurred. Immediately following such termination or withdrawal all Commitments shall be cancelled and the Lenders shall be under no further obligation to extend credit under this Agreement or any other Loan Document.

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES

8.01 Events of Default. Any of the following shall constitute an Event of Default:

(a) Non-Payment. The Borrower fails to (i) pay when and as required to be paid herein, any amount of principal of any Loan, or (ii) pay within five days after the same becomes due, any interest on any Loan, or any fee due hereunder, or (iii) following the Closing Date, pay within five Business Days after the same becomes due any other amount payable hereunder; or

(b) Breach of Offer Covenant. The Borrower fails to perform or observe any term, covenant or agreement contained in Article VII; or

(c) Representations and Warranties. Any Major Representation shall be incorrect in any material respect when made or deemed made; or

(d) Insolvency Proceedings, Etc. The Borrower institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes a general assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of the Borrower and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to the Borrower or to all or substantially all of its property is instituted without the consent of the Borrower and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(e) Inability to Pay Debts; Attachment. (i) The Borrower becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or substantially all of the property of the Borrower and is not released, vacated or fully bonded within 30 days after its issue or levy; or

(f) Invalidity of Loan Documents. The Collateral Agreement or any Mortgage, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; or any Loan Party contests in writing the validity or enforceability of any material provision of any Loan Document; or any Loan Party denies in writing that it has any or further liability or obligation under any material provision of any Loan Document, or purports to revoke, terminate or rescind any material provision of any Loan Document; or

(g) Change of Control. There occurs any Change of Control.

8.02 Remedies upon Event of Default. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans to be terminated, whereupon such commitments shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; and

(c) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents;

provided, however, that upon the occurrence of an actual entry of an order for relief with respect to the Borrower under the Bankruptcy Code of the United States, the obligation of each Lender to make Loans shall automatically terminate and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, in each case without further act of the Administrative Agent or any Lender.

Notwithstanding any other provision of this Agreement or any other Loan Document, any Event of Default or default (or any representation or undertaking which causes such Event of Default or default) that occurs at Target or any of its Subsidiaries (and which does not result in the failure of any condition set forth in Article IV without giving effect to this paragraph) shall not constitute an “Event of Default” during the term of this Agreement and no Lender or the Administrative Agent shall be entitled to take any Enforcement Action with respect to such Event of Default or default.

8.03 Application of Funds. After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable as set forth in the proviso to Section 8.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders and amounts payable under Article III, ratably among them in proportion to the respective amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans, ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans ratably among the Lenders in proportion to the respective amounts described in this clause Fourth held by them;

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

ARTICLE IX
ADMINISTRATIVE AGENT

9.01 Appointment and Authority.

Each of the Lenders hereby irrevocably appoints Bank of America, N.A. to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders, and the Borrower shall not have rights as a third party beneficiary of any of such provisions.

9.02 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

9.03 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

- (a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;
- (b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable Law; and
- (c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 11.01 and 8.02 or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower or a Lender.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other Loan Document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

9.04 Reliance by Administrative Agent . The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

9.05 Delegation of Duties . The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

9.06 Resignation of Administrative Agent . The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (a) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents and (b) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided above in this Section. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Administrative Agent shall be

the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 11.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

9.07 Non-Reliance on Administrative Agent and Other Lenders . Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

9.08 No Other Duties, Etc . Anything herein to the contrary notwithstanding, none of the Bookrunners or Arrangers or listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent or a Lender hereunder.

9.09 Administrative Agent May File Proofs of Claim . In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.09 and 11.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, if the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.09 and 11.04 .

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

9.10 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the entities listed as “Joint Lead Arrangers”, “Joint Bookrunners” or “Syndication Agent” on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, to the extent applicable, as the Administrative Agent or a Lender hereunder.

ARTICLE X
[INTENTIONALLY OMITTED]

ARTICLE XI
MISCELLANEOUS

11.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower therefrom, shall be effective unless in writing signed by the Required Lenders and the Borrower, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender;

(b) postpone any date fixed by this Agreement for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder without the written consent of each Lender entitled to such payment;

(c) reduce the principal of, or the rate of interest specified herein on, any Loan, or any fees or other amounts payable hereunder without the written consent of each Lender entitled to such amount; provided, however, that only the consent of the Required Lenders shall be necessary to amend the definition of “Default Rate” or to waive any obligation of the Borrower to pay interest at the Default Rate;

(d) change Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender; or

(e) change any provision of this Section 11.01, the definition of “Required Lenders” or any other provision hereof (including any such provision of Article VII) specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender;

and provided, further that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document.

If any Lender does not consent to a proposed amendment, waiver, consent or release with respect to any Loan Document that requires the consent of each Lender or each affected Lender and that has been approved by the Required Lenders, the Borrower may replace such non-consenting Lender in accordance with Section 11.13; provided that such amendment, waiver, consent or release can be effected as a result of the assignment contemplated by such Section (together with all other such assignments required by the Borrower to be made pursuant to this paragraph).

11.02 Notices; Effectiveness; Electronic Communications.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower or the Administrative Agent, to the address, telecopier number, electronic mail address or telephone number specified for such Person on Schedule 11.02; and

(ii) if to any other Lender, to the address, telecopier number, electronic mail address or telephone number specified in its Administrative Questionnaire.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to the Borrower,

any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's or the Administrative Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrower, any Lender or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. Each of the Borrower and the Administrative Agent may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, telecopier or telephone number for notices and other communications hereunder by notice to the Borrower and the Administrative Agent. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, telecopier number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable Law, including United States Federal and state securities Laws, to make reference to Borrower Materials that are not made available through the "Public Side Information" portion of the Platform and that may contain material non-public information with respect to the Borrower or its securities for purposes of United States Federal or state securities laws.

(e) Reliance by Administrative Agent and Lenders. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic Committed Loan Notices) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify the Administrative Agent, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

11.03 No Waiver; Cumulative Remedies. No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Loan Document, are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law.

11.04 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions

hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all reasonable out-of-pocket expenses incurred by the Administrative Agent or any Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender), in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender and each Related Party of any of the foregoing Persons (each such Person being called an “Indemnitee”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the reasonable fees, charges and disbursements of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan Documents, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any material respect to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or any Affiliates controlled by such Indemnitee or any of the respective officers, directors, employees, agents, advisors or other representatives thereof or (y) result from a claim brought by the Borrower against an Indemnitee for breach in bad faith of such Indemnitee’s obligations hereunder, if the Borrower has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof) or any of its Related Parties, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Related Party, such Lender’s Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.12(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable Law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be

liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(e) Payments. All amounts due under this Section shall be payable not later than ten Business Days after demand therefor.

(f) Survival. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

11.05 Payments Set Aside. To the extent that any payment by or on behalf of the Borrower is made to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

11.06 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of Section 11.06(b), (ii) by way of participation in accordance with the provisions of Section 11.06(d) or (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 11.06(f) (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement. Notwithstanding the foregoing or anything to the contrary in this Section 11.06, assignments or participations by any Lender of any Commitment prior to the Closing Date will be permitted only in accordance with the limitations applicable to assignments of commitments under the Commitment Letter which are applicable prior to the Closing Date (and each Lender agrees that no such assignment on or prior to the Closing Date by such Lender shall novate or relieve such Lender of its respective Commitment hereunder until after the Closing Date).

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment(s) and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment under any Facility and the Loans at the time owing to it under such Facility or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$1,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met;

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned;

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; and

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of any Loan to a Person that is not a Lender, an Affiliate of a Lender or an Approved Fund.

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of \$3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Borrower. No such assignment shall be made to the Borrower or any of the Borrower's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05 and 11.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 11.06(d).

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 11.01 that affects such Participant. Subject to subsection (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 11.06(b). To the extent permitted by Law, each Participant also shall be entitled to the benefits of Section 11.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.13 as though it were a Lender.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 3.01(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Electronic Execution of Assignments. The words “execution,” “signed,” “signature,” and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

11.07 Treatment of Certain Information; Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of, and not to disclose, the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates’ respective partners, directors, officers, employees, agents, advisors and representatives on a need-to-know basis (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates on a nonconfidential basis from a source other than the Borrower.

For purposes of this Section, “Information” means all information received from the Borrower or any Subsidiary thereof relating to the Borrower or any Subsidiary thereof or their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by or on behalf of the Borrower or any Subsidiary thereof, provided that, in the case of information received by or on behalf of the Borrower or any such Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent and the Lenders acknowledges that (a) the Information may include material non-public information concerning the Borrower or a Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including United States Federal and state securities Laws.

11.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender or any such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any other Loan Document to such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower may be contingent or unmatured or are owed to a branch or office of such Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender or its Affiliates may have. Each Lender agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

11.09 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the “Maximum Rate”). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

11.10 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Article IV, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement. In the event that (x) the Credit Documentation is entered into prior to any Loan being made pursuant to this Agreement or (y) the commitments of the Lenders under the Commitment Letter terminate in accordance with the terms of the Commitment Letter, this Agreement shall terminate and the provisions of this Agreement (other than those which expressly survive termination of this Agreement) shall be of no further force and effect.

11.11 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf

and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Loan, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied.

11.12 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11.13 Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01 or if any other circumstance exists hereunder that gives the Borrower the right to replace a Lender as a party hereto, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 11.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 11.06(b);

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter; and

(d) such assignment does not conflict with applicable Laws.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

11.14 Governing Law; Jurisdiction; Etc.

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) SUBMISSION TO JURISDICTION. THE BORROWER IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR

PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT, ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. THE BORROWER IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 11.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

11.15 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

11.16 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent, the Lenders and their Related Parties are arm's-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Administrative Agent, the Lenders and their Related Parties, on the other hand, (B) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Administrative Agent, each Lender and each of their Related Parties each is and

has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates, or any other Person and (B) neither the Administrative Agent, any Lender or any of their Related Parties has any obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent, each Lender and of their Related Parties may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Administrative Agent, any Lender or any of their Related Parties has any obligation to disclose any of such interests to the Borrower or its Affiliates. To the fullest extent permitted by Law, the Borrower hereby waives and releases any claims that it may have against the Administrative Agent, each Lender and each of their Related Parties the Arranger with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

11.17 USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into Law October 26, 2001)) (the “Act”), it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of each Loan Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify each Loan Party in accordance with the Act.

11.18 Effect on Commitment Letter. In the event that definitive documentation for the senior secured credit facilities contemplated by Annex I to the Commitment Letter have been entered into by the parties hereto prior to the initial borrowings hereunder having occurred, this Agreement and the Commitments of the Lenders hereunder shall automatically terminate and be of no further force and effect.

IN WITNESS WHEREOF , the parties hereto have caused this Agreement to be duly executed as of the date first above written.

THE NASDAQ STOCK MARKET, INC.,

By: /s/ David P. Warren
Name: David P. Warren
Title: Executive Vice President and Chief Financial Officer

BANK OF AMERICA, N.A., as Administrative Agent
and a Lender

By: /s/ William J. Coupe
Name: William J. Coupe
Title: Senior Vice President

JPMORGAN CHASE BANK, N.A., as a Lender

By: /s/ Gary Spevak
Name: Gary Spevak
Title: Vice President

CERTIFICATION

I, Robert Greifeld, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: August 1, 2007

CERTIFICATION

I, David P. Warren, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: August 1, 2007

**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 Quarterly Report on Form 10-Q of The Nasdaq Stock Market, Inc. (the "Company") for the quarter ended June 30, 2007 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: August 1, 2007

/s/ David P. Warren

Name: David P. Warren

Title: Executive Vice President and Chief Financial Officer

Date: August 1, 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.