

NASDAQ STOCK MARKET INC

Form 424B3

November 08, 2007

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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(2)
		Price per Share(1)		
Common Stock, par value \$0.01 per share	36,152,136	\$ 48.74	\$ 1,762,055,109	\$ 54,096

(1) Calculated in accordance with Rule 457(c) under the Securities Act of 1933, as amended (the Securities Act) based on the average of the high and low prices for the Common Stock on The NASDAQ Global Select Market on November 7, 2007.

(2) Calculated in accordance with Rule 457(r) under the Securities Act. Payment of the registration fee at the time of filing of the registrant's registration statement on Form S-3 filed with the Securities and Exchange Commission on January 30, 2006 (File No. 333-131373), was deferred pursuant to Rules 456(b) and 457(r) of the Securities Act, and is paid herewith. This Calculation of Registration Fee table shall be deemed to update the Calculation of Registration Fee table in such registration statement.

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Filed Pursuant to Rule 424(b)(3) and 424(b)(7)
File No. 333-131373

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus Supplement dated November 8, 2007

PROSPECTUS SUPPLEMENT

(To Prospectus dated January 30, 2006)

36,152,136 Shares

Common Stock

This prospectus supplement relates solely to the resale of up to 36,152,136 shares of common stock of The Nasdaq Stock Market, Inc. which may be offered by Hellman & Friedman Capital Partners IV, L.P., H&F Executive Fund IV, L.P., H&F International Partners IV-A, L.P., H&F International Partners IV-B, L.P., Silver Lake Partners TSA, L.P., Silver Lake Investors, L.P., Silver Lake Partners II TSA, L.P., Silver Lake Technology Investors II, L.P., Integral Capital Partners VI, L.P. and VAB Investors, LLC (together, the Selling Stockholders). These shares consist of 35,652,136 shares of our common stock issued or issuable upon conversion of our 3.75% Convertible Notes due 2012 and exercise of our Series A Warrants and Series B Warrants and 500,000 shares held by certain Selling Stockholders.

We will not receive any of the proceeds from the sale of these shares by the Selling Stockholders.

The Selling Stockholders may use this prospectus supplement to sell all or a portion of the shares of common stock referred to in this prospectus supplement from time to time at market prices prevailing at the time of the sale or at privately negotiated prices. The shares of common stock may be sold by the Selling Stockholders directly to purchasers or through agents, underwriters or dealers. The Selling Stockholders or an underwriter may offer the shares of common stock from time to time in one or more transactions on The NASDAQ Global Select Market, in the over-the-counter market or through negotiated transactions at market prices or at negotiated prices. If required, the names of additional agents, underwriters or dealers involved in the sale of shares of common stock, and such agent's commission, dealer's purchase price or underwriter's discount, if any, will be provided in additional prospectus supplements.

The shares of our common stock are quoted on The NASDAQ Global Select Market under the symbol NDAQ. On November 7, 2007, the last reported sale price of our shares was \$47.21 per share.

Investing in our common stock involves risks. Please see the Risk Factors sections of our Preliminary Proxy Statement filed with the Securities and Exchange Commission (SEC) on November 5, 2007 and our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, which are incorporated by reference in this prospectus supplement.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is _____, 2007.

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We provide information to you about this offering in two separate documents. The accompanying prospectus provides general information about us, some of which may not apply to this offering. This prospectus supplement describes the specific details regarding this offering. Generally, when we refer to the prospectus, we are referring to both documents combined. Additional information is incorporated by reference in this prospectus supplement. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer and sale is not permitted. The information contained in this prospectus supplement is accurate only as of the date of this prospectus supplement or the date of the document incorporated by reference in this prospectus supplement, regardless of the time of delivery of this prospectus supplement or of any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since those dates.

Special Note Regarding 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. We make these types of statements directly in this prospectus supplement and in the documents filed with the SEC that are incorporated by reference in this prospectus. Words such as anticipates, estimates, expects, projects, intends, plans, or other 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:

the scope, nature or impact of the transactions contemplated by our agreements with Borse Dubai Limited, a Dubai company, or Borse Dubai, and OMX AB (publ), a public company organized under the laws of Sweden, or OMX, the proposed business combination with OMX, the proposed acquisitions of the Boston Stock Exchange and the Philadelphia Stock Exchange and other acquisitions, dispositions, investments or other transactional activities;

the effective dates for and expected benefits of ongoing initiatives; and

the outcome of any litigation and/or government investigation to which we are a party and other contingencies.

Forward-looking statements involve certain 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 consummate or implement or realize synergies from our strategic initiatives and any consequences from our pursuit of our corporate strategy, including the proposed transactions with Borse Dubai and OMX, the proposed business combination with OMX and the acquisitions of the Boston Stock Exchange and the Philadelphia Stock Exchange;

competition, economic, political and market conditions and fluctuations, including interest rate risk;

government and industry regulation; or

adverse changes that may occur in the securities markets generally.

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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 may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus supplement. Readers should carefully review this prospectus supplement and the accompanying prospectus in their entirety, including, but not limited to, our Management's Discussion and Analysis of Financial Condition and Results of Operation, financial statements and the accompanying notes thereto, all of which are incorporated by reference in this prospectus supplement, and the risks described in the Risk Factors sections of our Preliminary Proxy Statement filed with the SEC on November 5, 2007 and of our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, which are incorporated by reference in this prospectus supplement. Except as required by the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information related to our business. Since it is a summary, this section may not contain all the information that you should consider before investing in our common stock. You should carefully read the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, including the Risk Factors sections of our Preliminary Proxy Statement filed with the SEC on November 5, 2007 and our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, which are incorporated by reference in this prospectus supplement. You should also read our Management's Discussion and Analysis of Financial Condition and Results of Operation, financial statements and the accompanying notes, all of which are incorporated by reference in this prospectus supplement, before making an investment decision.

THE NASDAQ STOCK MARKET

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

We, through our subsidiaries, are a leading provider of securities listing, trading, and information products and services. Our revenue sources are diverse and include revenues from transaction services, market data products and services, listing fees, insurance products, shareholder, directors and newswire services and financial products. The Nasdaq Stock Market is the largest electronic equity securities market in the United States, both in terms of number of listed companies and traded share volume. As of December 31, 2006, The Nasdaq Stock Market was home to approximately 3,193 listed companies with a combined market capitalization of over \$4.1 trillion. We also operate, through the exchange subsidiary, The Nasdaq Market Center, which provides our market participants with the ability to access, process, display and integrate orders and quotes in The Nasdaq Stock Market and other national securities exchanges. Transactions involving 580.9 billion equity securities were executed on or reported to our systems in 2006, 59.9% higher than the 363.3 billion in 2005. We manage, operate and provide our products and services in two business segments, our Market Services segment and Issuer Services segment.

Philadelphia Stock Exchange

On November 6, 2007, we entered into a definitive agreement to acquire the Philadelphia Stock Exchange, the third largest options market in the United States and the nation's oldest stock exchange. In addition to the options market, as part of the Philadelphia Stock Exchange acquisition, we will acquire a futures market operated by the Philadelphia Board of Trade, an equities business, and Stock Clearing Corporation of Philadelphia. Under the terms of the agreement, we will pay \$652 million in cash consideration for the capital stock of the Philadelphia Stock Exchange. This transaction is expected to close in the first quarter of 2008. The Board of Directors of each company unanimously approved the transaction, which is subject to customary regulatory approvals.

Third Quarter Results

On October 24, 2007 we reported the following results for the third quarter of 2007. We reported third quarter 2007 net income of \$365.0 million, or \$2.41 per diluted share, an increase of \$334.8 million from \$30.2 million, or \$0.22 per diluted share, in the third quarter of 2006, and an increase of \$308.9 million from \$56.1 million, or \$0.39 per diluted share, in the second quarter of 2007.

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Included in third quarter results were pre-tax gains of \$431.4 million associated with the sale of our share capital of the London Stock Exchange, and \$35.2 million related to gains on foreign currency option contracts. Also included in third quarter 2007 results were the following pre-tax charges:

\$19.5 million associated with tax benefits shared with strategic investors,

\$5.8 million related to the early extinguishment of debt, and

\$1.1 million in workforce reduction expenses.

Revenues less liquidity rebates, brokerage, clearance and exchange fees (net exchange revenues) were \$210.0 million in the third quarter of 2007, an increase of 22.7% from \$171.2 million in the year-ago period, and up 5.7% from \$198.7 million reported in the second quarter of 2007.

Recent Highlights

We expanded our leadership position as the largest single pool of liquidity in which to trade U.S. listed equities, matching 29.5% of all volume. We also achieved new market share highs in the trading of NYSE-listed equities, matching a record high 18.0% of volume during the quarter.

We announced the proposed acquisition of the Boston Stock Exchange (BSE), providing us with a second exchange license and, subject to SEC approval, utilization of the BSE Clearing Corporation.

We have agreed to acquire all the shares of OMX that Borse Dubai has acquired or will acquire through its August 9 announced offer for OMX. Our acquisition of OMX has received the support of the OMX Board and OMX's largest shareholders.

We have agreed to acquire a 33 1/3% interest in Dubai International Financial Exchange, or DIFX, a subsidiary of Borse Dubai and an international stock exchange located in Dubai. Working with DIFX, we intend to develop DIFX into a regional center for capital formation.

We completed the sale of our share capital of the LSE for a \$431.4 million pre-tax gain. Of the \$1.8 billion in proceeds generated from the sale, \$1.1 billion was used to retire outstanding debt obligations.

We launched the Portal Market, our electronic trading platform for 144A private placement securities. This market is designed to encourage capital formation by improving the efficiency and transparency of the private placement market.

We began operation of The Nasdaq ETF Market, designed specifically for exchange traded funds (ETFs) and Index Linked Notes (ILNs), further strengthening our leadership position in the U.S. ETF sector.

We launched the Select Market Maker Program, a certification program designed to recognize market makers who offer the highest levels of quoting and execution quality in Nasdaq-listed securities. Investors, Nasdaq-listed companies, funds, and

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prospective public companies benefit from the Select Market Maker Program through the ability to identify which firms continuously provide high-quality liquidity.

We launched Nasdaq Data Store, which provides online access to innovative data tools for institutional and individual investors. We were also recognized as the world's premier stock exchange for data feeds for the second consecutive year in the annual Waters Rankings.

Financial Review

Net exchange revenues increased 22.7% in the third quarter to \$210.0 million, up from \$171.2 million in the prior year quarter, and up 5.7% from \$198.7 million reported in the second quarter of 2007.

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Market Services net exchange revenues increased to \$136.7 million, up 22.8% from the prior year quarter, and up 6.9% from the prior quarter.

	September 30.	Three Months Ended		% Variance From	
	2007	June 30,	September 30,	Prior	Prior
	2007	2007	2006	Quarter	Year
(in millions of dollars)					
Nasdaq Market Center					
Execution and trade reporting revenues	\$ 514.2	\$ 426.1	\$ 286.7	20.7%	79.4%
Access services revenues	19.1	19.0	15.6	0.5%	22.4%
Tape fee revenue sharing	(6.5)	(7.0)	(5.4)	(7.1%)	20.4%
Total Nasdaq Market Center revenues	526.8	438.1	296.9	20.2%	77.4%
Cost of revenues					
Liquidity rebates	(291.2)	(238.3)	(153.2)	22.2%	90.1%
Brokerage, clearance and exchange fees	(150.8)	(121.2)	(78.5)	24.4%	92.1%
Total cost of revenues	(442.0)	(359.5)	(231.7)	22.9%	90.8%
Revenues less liquidity rebates, brokerage, clearance and exchange fees from Nasdaq Market Center	84.8	78.6	65.2	7.9%	30.1%
Nasdaq Market Services Subscriptions					
Proprietary revenues	22.8	21.1	18.0	8.1%	26.7%
Non-proprietary revenues	34.7	33.7	29.5	3.0%	17.6%
Nasdaq Revenue Sharing Programs	(1.4)	(1.5)	(2.0)	(6.7%)	(30.0%)
UTP Plan revenue sharing	(12.4)	(11.6)	(6.9)	6.9%	79.7%
Total Nasdaq Market Services Subscriptions revenues	43.7	41.7	38.6	4.8%	13.2%
Other Market Services revenues	8.2	7.6	7.5	7.9%	9.3%
Revenues less liquidity rebates, brokerage, clearance and exchange fees from Market Services	\$ 136.7	\$ 127.9	\$ 111.3	6.9%	22.8%

Increases in Nasdaq Market Center net exchange revenues from the prior year quarter were primarily due to increases in trade execution market share of NYSE- and AMEX-listed equities. Total NYSE-listed share volume reported to us increased from 27.5% in the third quarter of 2006 to 35.0% in the third quarter of 2007, while total AMEX-listed share volume reported to us increased from 47.7% to 52.4% for the same period. Increases when compared to the second quarter were primarily due to higher traded share volume matched in the Nasdaq Market Center, which increased 19.6% during the quarter. Included in execution and trade reporting revenues in the third quarter were \$94.2 million in SEC Section 31 fees, compared with \$73.1 million in the second quarter and \$45.8 million in the third quarter of 2006. Corresponding cost of revenues reflecting the reimbursement of these fees to the SEC were included in brokerage, clearance and exchange fees.

Market Services Subscriptions revenues increased from the prior year quarter and second quarter of this year as growth in subscriber populations drove proprietary and non-proprietary revenues higher. Also contributing to the increase when compared to the prior year quarter was a decline in the amount of revenues shared through Nasdaq Revenue Sharing Programs, which resulted from changes to the plan structure. Somewhat offsetting these increases were higher revenues shared with UTP Plan participants due to higher non-proprietary revenues as well as a decline in our total UTP market share.

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During the third quarter Issuer Services revenues increased 22.4% to \$73.2 million from the prior year quarter and increased 3.5% from prior quarter.

	Three Months Ended			% Variance From	
	September 30,	June 30,	September 30,	Prior	Prior
	2007	2007	2006	Quarter	Year
	(in millions of dollars)				
Corporate Client Group					
Annual renewal fees	\$ 31.6	\$ 31.1	\$ 27.3	1.6%	15.8%
Listing of additional shares fees	10.4	10.1	9.4	3.0%	10.6%
Initial listing fees	5.6	5.5	5.6	1.8%	
Corporate Client Services	13.9	13.2	10.4	5.3%	33.7%
Total Corporate Client Group revenues	61.5	59.9	52.7	2.7%	16.7%
Nasdaq Financial Products					
Licensing revenues	10.6	9.0	6.0	17.8%	76.7%
Other revenues	1.1	1.8	1.1	(38.9%)	
Total Nasdaq Financial Products revenues	11.7	10.8	7.1	8.3%	64.8%
Total Issuer Services revenues	\$ 73.2	\$ 70.7	\$ 59.8	3.5%	22.4%

Increases in Corporate Client Group revenues from the prior year were driven primarily by revised annual renewal fees introduced earlier this year. Also contributing to the increase were higher revenues generated within our Corporate Client services, which were due to recent acquisitions and expanded customer use of services. Increases from the prior quarter were driven by fees generated from new listings as well as increasing customer utilization of our Corporate Client services.

Nasdaq Financial Products revenues increased from the prior year quarter and the second quarter due to an increase in fees associated with Nasdaq-licensed ETFs.

Total Operating Expenses

Total operating expenses increased 22.1% to \$126.1 million from \$103.3 million in the prior year quarter and increased 26.5% from \$99.7 million in the prior quarter. Third quarter 2007 expenses increased from last year and prior quarter primarily due to a pre-tax charge of \$19.5 million associated with tax benefits shared with strategic investors and a pre-tax charge of \$5.8 million related to the early extinguishment of debt.

Earnings Per Share

Third quarter earnings per diluted share were \$2.41 versus \$0.22 per diluted share in the prior year quarter, and \$0.39 in the second quarter of 2007. Our weighted average shares outstanding used to calculate diluted earnings per share were 152.3 million in the quarter versus 150.8 million in the year-ago quarter and 152.0 million in the second quarter of 2007.

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(in millions, except per share amounts and other drivers)

	Three Months Ended			Nine Months Ended	
	September 30, 2007	June 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Revenues					
Market Services	\$ 578.7	\$ 487.4	\$ 343.0	\$ 1,561.6	\$ 1,027.9
Issuer Services	73.2	70.7	59.8	210.3	182.0
Other	0.1	0.1	0.1	0.2	0.4
Total revenues	652.0	558.2	402.9	1,772.1	1,210.3
Cost of revenues					
Liquidity rebates	(291.2)	(238.3)	(153.2)	(754.7)	(491.0)
Brokerage, clearance and exchange fees	(150.8)	(121.2)	(78.5)	(416.7)	(215.0)