

## **Annex 4**



Table of Contents

IntercontinentalExchange, Inc. and Subsidiaries

Consolidated Balance Sheets  
(In thousands, except per share amounts)

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 283,522	\$ 119,597
Short-term restricted cash	30,724	19,624
Short-term investments	3,419	140,955
Customer accounts receivable, net of allowance for doubtful accounts of \$1,400 and \$370 at December 31, 2008 and 2007, respectively	81,248	52,018
Margin deposits and guaranty funds	12,117,820	792,052
Prepaid expenses and other current assets	35,855	17,848
Total current assets	<u>12,552,588</u>	<u>1,142,094</u>
Property and equipment, net	<u>88,952</u>	<u>63,524</u>
Other noncurrent assets:		
Goodwill	1,434,816	1,009,687
Other intangible assets, net	728,855	537,722
Long-term restricted cash	105,740	3,000
Cost method investments	32,724	38,778
Other noncurrent assets	15,906	1,540
Total other noncurrent assets	<u>2,318,041</u>	<u>1,590,727</u>
Total assets	<u>\$14,959,581</u>	<u>\$2,796,345</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 49,663	\$ 27,811
Accrued salaries and benefits	41,096	23,878
Current portion of licensing agreement	12,686	10,572
Current portion of long-term debt	46,875	37,500
Income taxes payable	17,708	11,687
Margin deposits and guaranty funds	12,117,820	792,052
Current portion of unearned government grant	8,737	1,748
Other current liabilities	17,057	5,713
Total current liabilities	<u>12,311,642</u>	<u>910,961</u>
Noncurrent liabilities:		
Noncurrent deferred tax liability, net	194,301	108,739
Long-term debt	332,500	184,375
Noncurrent portion of licensing agreement	82,989	89,645
Long-term unearned government grant	—	8,737
Other noncurrent liabilities	24,901	17,032
Total noncurrent liabilities	<u>634,691</u>	<u>408,528</u>
Total liabilities	<u>12,946,333</u>	<u>1,319,489</u>
Commitments and contingencies		
Minority interest	5,949	—
Redeemable stock put	1,068	—
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock, \$0.01 par value; 25,000 shares authorized; no shares issued or outstanding at December 31, 2008 and 2007	—	—
Common stock, \$0.01 par value; 194,275 shares authorized; 76,502 and 70,963 shares issued at December 31, 2008 and 2007, respectively; 72,364 and 69,711 shares outstanding at December 31, 2008 and 2007, respectively	765	710
Treasury stock, at cost; 4,138 and 1,252 shares at December 31, 2008 and 2007, respectively	(355,520)	(30,188)
Additional paid-in capital	1,608,344	1,043,971
Retained earnings	732,752	431,708
Accumulated other comprehensive income	19,890	30,655
Total shareholders' equity	<u>2,006,231</u>	<u>1,476,856</u>
Total liabilities and shareholders' equity	<u>\$14,959,581</u>	<u>\$2,796,345</u>

See accompanying notes.

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Consolidated Statements of Income**  
(In thousands, except per share amounts)

	Year Ended December 31,		
	2008	2007	2006
<b>Revenues:</b>			
Transaction and clearing fees, net (including \$13,657 with related-parties in 2006)	\$693,229	\$490,358	\$273,629
Market data fees (including \$412 with related-parties in 2006)	102,944	70,396	34,236
Other (including \$680, \$1,729 and \$1,984 with related-parties in 2008, 2007 and 2006, respectively)	16,905	13,539	5,934
Total revenues	<u>813,078</u>	<u>574,293</u>	<u>313,799</u>
<b>Operating expenses:</b>			
Compensation and benefits	159,792	101,397	49,750
Professional services	29,705	23,047	11,395
Patent royalty	—	1,705	9,039
CBOT merger-related transaction costs	—	11,121	—
Selling, general and administrative	67,800	50,759	25,266
Depreciation and amortization	62,247	32,701	13,714
Total operating expenses	<u>319,544</u>	<u>220,730</u>	<u>109,164</u>
Operating income	<u>493,534</u>	<u>353,563</u>	<u>204,635</u>
<b>Other income (expense):</b>			
Interest and investment income	11,536	11,865	8,565
Interest expense	(19,573)	(18,641)	(231)
Other income (expense), net	(12,001)	11,647	(426)
Total other income (expense), net	<u>(20,038)</u>	<u>4,871</u>	<u>7,908</u>
Income before income taxes	473,496	358,434	212,543
Income tax expense	172,524	117,822	69,275
<b>Net income</b>	<u>\$300,972</u>	<u>\$240,612</u>	<u>\$143,268</u>
<b>Earnings per common share:</b>			
Basic	\$ 4.23	\$ 3.49	\$ 2.54
Diluted	<u>\$ 4.17</u>	<u>\$ 3.39</u>	<u>\$ 2.40</u>
<b>Weighted average common shares outstanding:</b>			
Basic	<u>71,184</u>	<u>68,985</u>	<u>56,474</u>
Diluted	<u>72,164</u>	<u>70,980</u>	<u>59,599</u>

See accompanying notes.

Table of Contents

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Shareholders' Equity**  
(In thousands)

	Common Stock		Class A Common Stock, Series 1		Class A Common Stock, Series 2		Treasury Stock		Additional Paid-in Capital	Deferred Stock Compensation	Retained Earnings	Accumulated Other Comprehensive Income Net Unrealized Gain (Loss) from			Total Shareholders' Equity	
	Shares	Value	Shares	Value	Shares	Value	Shares	Value				Foreign Currency Translation	Available-For-Sale Securities	Net Investment Hedges		
Balance, January 1, 2006	18,400	\$ 184	2,863	\$ 29	35,782	\$ 358	(1,534)	\$ (5,541)	\$ 177,602	\$ (6,899)	\$ 47,911	\$ 21,338	\$ 8,525	\$ (93)	\$ (2,450)	\$ 232,623
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	8,432
Exercise of common stock options	2,407	24	—	—	103	1	(3)	(188)	21,981	—	—	—	—	—	—	21,818
Reversal of deferred stock compensation in connection with adoption of SFAS No. 123(R)	—	—	—	—	—	—	—	—	(6,899)	6,899	—	—	—	—	—	—
Conversion of Class A common stock, Series 1 and Series 2 into common stock	38,748	388	(2,863)	(29)	(35,885)	(359)	—	—	—	—	—	—	—	—	—	—
Treasury shares received for restricted stock and stock option tax payments	—	—	—	—	—	—	(69)	(4,765)	—	—	—	—	—	—	—	(4,765)
Stock-based compensation	—	—	—	—	—	—	—	—	9,489	—	—	—	—	—	—	9,489
Issuance of restricted stock	16	—	—	—	—	—	135	746	(746)	—	—	—	—	—	—	—
Tax benefits from stock option plans	—	—	—	—	—	—	—	—	43,313	—	—	—	—	—	—	43,313
Issuance of common stock	25	—	—	—	—	—	—	—	290	—	—	—	—	—	—	290
Net income	—	—	—	—	—	—	—	—	—	—	143,268	—	—	—	—	143,268
Balance, December 31, 2006	59,596	596	—	—	—	—	(1,471)	(9,748)	245,030	—	191,179	29,863	—	(2)	(2,450)	454,468
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	3,183	—	61	—	3,244
Exercise of common stock options	1,044	11	—	—	—	—	(4)	(472)	9,920	—	—	—	—	—	—	9,459
Issuance of shares for acquisitions	10,303	103	—	—	—	—	—	—	707,560	—	—	—	—	—	—	707,663
Treasury shares received during acquisition	—	—	—	—	—	—	(1)	(197)	—	—	—	—	—	—	—	(197)
Treasury shares received for restricted stock and stock option tax payments	—	—	—	—	—	—	(181)	(24,814)	—	—	—	—	—	—	—	(24,814)
Stock-based compensation	—	—	—	—	—	—	—	—	25,415	—	—	—	—	—	—	25,415
Issuance of restricted stock	20	—	—	—	—	—	405	5,043	(5,043)	—	—	—	—	—	—	—
Tax benefits from stock option plans	—	—	—	—	—	—	—	—	61,089	—	—	—	—	—	—	61,089
Cumulative effect of adoption of FIN 48	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(83)
Net income	—	—	—	—	—	—	—	—	—	—	240,612	—	—	—	—	240,612
Balance, December 31, 2007	70,963	710	—	—	—	—	(1,252)	(30,188)	1,043,971	—	431,708	33,046	—	59	(2,450)	1,476,856
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	(10,657)	—	(108)	—	(10,765)
Exercise of common stock options	397	4	—	—	—	—	(1)	(225)	5,206	—	—	—	—	—	—	4,985
Issuance of shares for acquisitions	4,906	49	—	—	—	—	—	—	496,532	—	—	—	—	—	—	496,581
Repurchases of common stock	—	—	—	—	—	—	(3,220)	(300,000)	—	—	—	—	—	—	—	(300,000)
Change in fair value of redeemable stock put	—	—	—	—	—	—	—	—	—	—	72	—	—	—	—	72
Treasury shares received for restricted stock and stock option tax payments	—	—	—	—	—	—	(295)	(45,783)	—	—	—	—	—	—	—	(45,783)
Stock-based compensation	—	—	—	—	—	—	—	—	39,112	—	—	—	—	—	—	39,112
Issuance of restricted stock	236	2	—	—	—	—	630	20,676	(20,678)	—	—	—	—	—	—	—
Tax benefits from stock option plans	—	—	—	—	—	—	—	—	44,201	—	—	—	—	—	—	44,201
Net income	—	—	—	—	—	—	—	—	—	—	300,972	—	—	—	—	300,972
Balance, December 31, 2008	76,502	\$ 765	—	\$ —	—	\$ —	(4,138)	\$(355,520)	\$1,608,344	\$ —	\$732,752	\$ 22,389	\$ —	\$ (49)	\$ (2,450)	\$ 2,006,231

See accompanying notes.

Table of Contents

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**(In thousands)**

	<u>Year Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net income	\$300,972	\$240,612	\$143,268
Other comprehensive income:			
Foreign currency translation adjustments, net of tax of (\$1,677), \$655 and \$830 for the years ended December 31, 2008, 2007 and 2006, respectively	(10,657)	3,183	8,525
Change in available-for-sale securities, net of tax of (\$39), \$22 and (\$34) for the years ended December 31, 2008, 2007 and 2006, respectively	<u>(108)</u>	<u>61</u>	<u>(93)</u>
Comprehensive income	<u>\$290,207</u>	<u>\$243,856</u>	<u>\$151,700</u>

See accompanying notes.

Table of Contents

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(In thousands)

	Year Ended December 31,		
	2008	2007	2006
<b>Operating activities</b>			
Net income	\$ 300,972	\$ 240,612	\$ 143,268
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	62,247	32,701	13,714
Gain on disposal of assets	—	(9,268)	—
Amortization of debt issuance costs	1,644	698	147
Allowance for doubtful accounts	530	(615)	724
Loss on impairment of NCDEX	15,700	—	—
Net realized gains on sales of available-for-sale investments	(47)	(171)	(882)
Stock-based compensation	36,382	23,595	8,825
Minority interest	55	—	—
Deferred taxes	(16,986)	(3,222)	(5,345)
Excess tax benefits from stock-based compensation	(44,080)	(60,812)	(40,996)
Changes in assets and liabilities:			
Customer accounts receivable:			
Trade, net	(15,159)	(4,919)	(19,397)
Related-parties	777	(329)	1,325
Prepaid expenses and other current assets	(3,051)	(2,359)	(4,310)
Noncurrent assets	1,029	1,267	(510)
Income taxes payable	58,023	74,003	37,791
Accounts payable, accrued salaries and benefits, and other accrued liabilities	(22,924)	(3,400)	16,335
Total adjustments	74,140	47,169	7,421
Net cash provided by operating activities	<u>375,112</u>	<u>287,781</u>	<u>150,689</u>
<b>Investing activities</b>			
Capital expenditures	(30,484)	(30,999)	(12,377)
Capitalized software development costs	(18,328)	(12,267)	(7,438)
Cash paid for acquisitions, net of cash acquired	(44,606)	(480,114)	—
Purchase of intangible assets	—	(61,099)	—
Proceeds from sale of assets	—	13,269	—
Cost method investment	(2,385)	(40)	(36,937)
Proceeds from sales of available-for-sale investments	236,935	272,771	346,090
Purchases of available-for-sale investments	(102,567)	(332,357)	(309,227)
Capitalized acquisition costs	(2,210)	(121)	(4,124)
Increase in restricted cash	(106,101)	(6,431)	(3,615)
Net cash used in investing activities	<u>(69,746)</u>	<u>(637,388)</u>	<u>(27,628)</u>
<b>Financing activities</b>			
Excess tax benefits from stock-based compensation	44,080	60,812	40,996
Net proceeds from issuance of common stock	—	—	290
Proceeds from credit facilities	195,000	250,000	—
Repayments of credit facilities	(37,500)	(28,125)	—
Issuance costs for credit facilities	(1,519)	(2,375)	—
Payments relating to treasury shares received for restricted stock and stock option tax payments and exercises	(46,008)	(25,484)	(4,953)
Repurchases of common stock	(300,000)	—	—
Payments on capital lease obligations	(382)	—	—
Proceeds from exercise of common stock options	5,210	9,931	22,006
Net cash provided by (used in) financing activities	<u>(141,119)</u>	<u>264,759</u>	<u>58,339</u>
Effect of exchange rate changes on cash and cash equivalents	(322)	188	2,855
Net increase (decrease) in cash and cash equivalents	163,925	(84,660)	184,255
Cash and cash equivalents, beginning of year	119,597	204,257	20,002
Cash and cash equivalents, end of year	<u>\$ 283,522</u>	<u>\$ 119,597</u>	<u>\$ 204,257</u>
<b>Supplemental cash flow disclosure</b>			
Cash paid for income taxes	<u>\$ 129,879</u>	<u>\$ 54,255</u>	<u>\$ 38,279</u>
Cash paid for interest	<u>\$ 10,963</u>	<u>\$ 14,586</u>	<u>\$ 86</u>
<b>Supplemental noncash investing and financing activities</b>			
Common stock and vested stock options issued for acquisitions	<u>\$ 499,768</u>	<u>\$ 707,663</u>	<u>\$ —</u>

See accompanying notes.

**IntercontinentalExchange, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**1. Nature of Business and Organization**

IntercontinentalExchange, Inc. (the “Company”) is a leading operator of global regulated futures exchanges and over-the-counter (“OTC”) markets for commodities and derivative financial products. The Company owns 100% of ICE Futures Europe, which operates as a United Kingdom (“U.K.”) Recognized Investment Exchange for the purpose of price discovery, trading and risk management within the energy commodity futures and options markets. The Company owns 100% of ICE Futures U.S., Inc. (“ICE Futures U.S.”), which operates as a United States (“U.S.”) Designated Contract Market for the purpose of price discovery, trading and risk management within the soft commodity, index and currency futures and options markets. The Company owns 100% of ICE Futures Canada, Inc. (“ICE Futures Canada”), which operates as a Canadian Commodity Futures Exchange for the purpose of price discovery, trading and risk management within the agricultural futures and options markets. The Company acquired 100% of Creditex Group Inc. (“Creditex”) on August 29, 2008. Creditex operates in the OTC credit default swaps (“CDS”) markets. In addition, the Company currently operates three central counterparty clearing houses. Headquartered in Atlanta, Georgia, the Company also has offices in London, New York, Chicago, Houston, Calgary, Winnipeg and Singapore.

The Company currently operates the OTC energy markets as an exempt commercial market (“ECM”) pursuant to the Commodity Exchange Act and regulations of the Commodity Futures Trading Commission (“CFTC”). As an ECM, the Company is required to file a notice with the CFTC, provide the CFTC with access to its trading system and certain trading reports and respond to requests for information or records from the CFTC.

ICE Futures Europe is subject to extensive regulation in the United Kingdom by the Financial Services Authority (“FSA”), in accordance with the Financial Services and Markets Act 2000. ICE Futures Europe is responsible for maintaining financial resources sufficient for the proper performance of its functions as a Recognized Investment Exchange, and, in order to satisfy this requirement, is obligated to maintain a minimum amount of liquid financial assets at all times.

ICE Futures U.S. is subject to extensive regulation in the U.S. by the CFTC under the Commodity Exchange Act. The Commodity Exchange Act generally requires that futures trading conducted in the U.S. be conducted on a commodity exchange designated as a contract market by the CFTC. It also establishes non-financial criteria for an exchange to be designated to list futures and options contracts. Designation as a contract market for the trading of specified futures contracts is non-exclusive. This means that the CFTC may designate additional exchanges as contract markets for trading in the same or similar contracts. As a designated contract market, ICE Futures U.S. is a self-regulatory organization that has instituted detailed rules and procedures to comply with the “core principles” applicable to it under the Commodity Exchange Act. ICE Futures U.S. also has surveillance and compliance operations and procedures to monitor and enforce compliance with its rules, and ICE Futures U.S. is periodically audited by the CFTC with respect to the fulfillment of ICE Futures U.S.’s self-regulatory programs in these areas.

ICE Futures Canada’s operations are subject to extensive regulation by the Manitoba Securities Commission (“MSC”), under the Commodity Futures Act (Manitoba) (“CFA”). The CFA requires that an organization must be recognized and registered before it can carry on the business of a futures exchange. It establishes financial and non-financial criteria for an exchange. ICE Futures Canada also has surveillance and compliance operations and procedures to monitor and enforce compliance by market participants with its rules, and ICE Futures Canada is under the audit jurisdiction of the MSC with respect to these self-regulatory functions.

The Company also owns three clearing houses. ICE Clear Europe clears and settles contracts for ICE Futures Europe and OTC cleared contracts and is regulated by the FSA as a Recognized Clearing House. ICE Futures U.S. owns its clearing house, ICE Clear U.S., which clears and settles contracts traded on, or subject to the rules of, ICE Futures U.S. ICE Clear U.S. is a Derivatives Clearing Organization and is

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

regulated by the CFTC. ICE Futures Canada owns its clearing house, ICE Clear Canada, which clears and settles contracts traded on, or subject to the rules of, ICE Futures Canada. ICE Clear Canada is a recognized clearing house under the provisions of the CFA and is regulated by the MSC.

The Company does not risk its own capital by engaging in any trading activities or by extending credit to market participants.

**2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying consolidated financial statements are presented in accordance with U.S. generally accepted accounting principles. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions between the Company and its wholly-owned subsidiaries have been eliminated in consolidation. As discussed in Note 3, the Company completed several acquisitions in 2008 and 2007 and has included the financial results of these companies in its consolidated financial statements effective from the respective acquisition dates forward.

*Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of expenses during the reporting period. Actual amounts could differ from those estimates.

*Minority Interest*

For those consolidated subsidiaries in which the Company's ownership is less than 100% and for which the Company has control over the assets and liabilities and the management of the entity, the outside stockholders' interests are shown as minority interests. In connection with the Company's acquisition of Creditex, the Company holds a 50.1% equity ownership in QW Holdings LLC, which the Company consolidates. QW Holdings LLC owns Q-WIXX, which is a dealer-to-client electronic platform for trading portfolios of CDS. The platform is a joint initiative between Creditex and the dealer community and has been operated in both North America and Europe since June 2007. A minority interest in QW Holdings LLC is recorded in the accompanying consolidated balance sheet as of December 31, 2008 for the ownership interest held by the limited partners.

*Segment and Geographic Information*

The Company currently has three reportable operating segments: its OTC business segment, its futures business segment, and its market data business segment. All three operate across domestic and international markets. Substantially all of the Company's identifiable assets are located in the United States, the United Kingdom and Canada.

*Cash and Cash Equivalents*

The Company considers all short-term, highly liquid investments with remaining maturities at the purchase date of three months or less to be cash equivalents.

## Table of Contents

### IntercontinentalExchange, Inc. and Subsidiaries Notes to Consolidated Financial Statements — (Continued)

#### *Restricted Cash*

The Company classifies all cash and cash equivalents that are not available for general use by the Company, either due to FSA requirements or through restrictions in specific agreements, as restricted in the accompanying consolidated balance sheets (Note 4).

#### *Short-Term and Long-Term Investments*

The Company invests a portion of its cash in excess of short-term operating needs in government securities, equity securities, investment-grade marketable debt securities and municipal bonds (Note 5). These investments are classified as available-for-sale in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. The Company does not have any investments classified as held-to-maturity or trading. Available-for-sale investments are carried at their fair value, with unrealized gains and losses, net of deferred income taxes, reported as a component of accumulated other comprehensive income. Realized gains and losses, and declines in value deemed to be other-than-temporary on available-for-sale investments, are recognized currently in earnings.

The Company determines the appropriate classification of its investments at the time of purchase and reevaluates such designation at each balance sheet date. The Company may or may not hold securities with stated maturities greater than twelve months until maturity. In response to changes in the availability of and the yield on alternative investments as well as liquidity requirements, the Company occasionally sells these securities prior to their stated maturities. As these securities are viewed by the Company as available to support current operations and requirements, certain investments with maturities beyond 12 months are classified as current assets in the accompanying consolidated balance sheets. Investments that the Company intends to hold for more than one year are classified as long-term investments in the accompanying consolidated balance sheets.

#### *Cost Method Investments*

The Company uses the cost method to account for investments in companies that the Company does not control and for which the Company does not have the ability to exercise significant influence over the entities operating and financial policies (Note 6).

#### *Margin Deposits and Guaranty Funds*

Original margin, variation margin and guaranty funds held by the Company's clearing houses for clearing members may be in the form of cash, money market mutual fund shares, Government obligations, or letters of credit (Note 14). Cash original margin, variation margin and guaranty fund deposits are reflected in the accompanying consolidated balance sheets as current assets and current liabilities. The amount of margin deposits on hand will fluctuate over time as a result of, among other things, the extent of open positions held at any point in time by market participants in contracts and the margin rates then in effect for such contracts. Non-cash original margin and guaranty fund deposits are not reflected in the accompanying consolidated balance sheets. These securities are held in safekeeping and are only pledged to the Company's clearing houses, and the Company's clearing houses do not take legal ownership.

#### *Property and Equipment*

Property and equipment are recorded at cost, reduced by accumulated depreciation (Note 7). Depreciation and amortization expense related to property and equipment is computed using the straight-line method based on estimated useful lives of the assets, or in the case of leasehold improvements, the shorter of the initial lease term or the estimated useful life of the asset. The Company reviews the remaining estimated useful lives of its property and equipment at each balance sheet date and will make adjustments to the estimated remaining

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

useful lives whenever events or changes in circumstances indicate that the remaining useful lives have changed. Gains on disposals of property and equipment are included in other income and losses on disposals of property and equipment and are included in depreciation expense. Maintenance and repairs are expensed as incurred.

***Software Development Costs***

The Company capitalizes costs, both internal and external direct and incremental costs, related to software developed or obtained for internal use in accordance with AICPA Statement of Position 98-1, *Accounting for Costs of Computer Software Developed or Obtained for Internal Use*. Software development costs incurred during the preliminary or maintenance project stage are expensed as incurred, while costs incurred during the application development stage are capitalized and are amortized using the straight-line method over the useful life of the software, not to exceed three years. Amortization of these capitalized costs begins only when the software becomes ready for its intended use. General and administrative costs related to developing or obtaining such software are expensed as incurred.

***Goodwill and Indefinite-Lived Intangible Assets***

The Company has recorded goodwill for the excess of the purchase price for its acquisitions over the fair value of identifiable net assets acquired, including other identified intangible assets (Note 8). The Company recognizes specifically identifiable intangibles when a specific right or contract is acquired. Goodwill has been allocated to reporting units for purposes of impairment testing based on the portion of synergy, cost savings and other expected future cash flows expected to benefit the reporting units at the time of the acquisition.

The Company tests its goodwill for impairment at the reporting unit level, which in some cases is different than the operating segment level where the goodwill is reported under SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*. The reporting unit levels for the Company's goodwill are the OTC, Creditex, ICE Futures U.S, ICE Futures Europe, ICE Futures Canada and market data reporting units. Goodwill impairment testing at the reporting unit level is performed utilizing a two-step methodology in accordance with the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*. The initial step requires the Company to determine the fair value of each reporting unit and compare it to the carrying value, including goodwill and other intangible assets, of such reporting unit. If the fair value exceeds the carrying value, no impairment loss is recognized and the second step, which is a calculation of the impairment, is not performed. However, if the carrying value of the reporting unit exceeds its fair value, an impairment charge is recorded equal to the extent that the carrying amount of goodwill exceeds its implied fair value.

The Company's indefinite-lived intangible assets are evaluated for impairment annually in its fiscal fourth quarter or more often if events or changes in circumstances indicate that the asset may be impaired. Such evaluation includes comparing the fair value of the asset with its carrying value. If the fair value of the indefinite-lived intangible asset is less than its carrying value, an impairment loss is recognized in an amount equal to the difference. This analysis did not result in an impairment charge during the years ended December 31, 2008, 2007 or 2006.

***Intellectual Property***

All costs related to internally developed patents and trademarks are expensed as incurred. All costs related to purchased patents, trademarks and internet domain names are recorded as other intangible assets and are amortized on a straight-line basis over their estimated useful lives. All costs related to licensed patents are capitalized and amortized on a straight-line basis over the term of the license.

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

***Impairment of Long-Lived Assets and Finite-Lived Intangible Assets***

The Company reviews its property and equipment and finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. To analyze recoverability, the Company projects undiscounted net future cash flows over the remaining life of such assets. If these projected cash flows are less than the carrying amount, an impairment would be recognized, resulting in a write-down of assets with a corresponding charge to earnings. The impairment loss is measured based upon the difference between the carrying amount and the fair value of the assets. Finite-lived intangible assets are generally amortized on a straight-line basis or using an accelerated method over the lesser of their contractual or estimated useful lives.

***Income Taxes***

The Company and its U.S. subsidiaries file a consolidated U.S. federal income tax return. State income tax returns are filed on a separate, combined or consolidated basis in accordance with relevant state laws and regulations. The majority of the Company's foreign subsidiaries are based in the United Kingdom and they file separate local country income tax returns and take advantage of the United Kingdom's group relief provisions when applicable. Deferred tax expenses and benefits are recognized for changes in deferred tax assets and liabilities. The difference between the statutory income tax rate and our effective tax rate for a given period is primarily a reflection of the tax effects of our foreign operations, general business and tax credits, tax-exempt income, state income taxes and the non-deductibility of certain expenses.

***Revenue Recognition***

The Company's revenues primarily consist of transaction and clearing fee revenues for OTC and futures transactions executed through the Company's internet-based global electronic platform, through the ICE Futures U.S. open-outcry exchange or through the Company's Creditex voice brokers and are recognized on the date the transactions occur. The Company calculates the transaction and clearing fee revenues based on the volume of each commodity traded multiplied by the transaction rate for each commodity type. The futures transaction and clearing fee revenues are determined on the basis of the transaction and clearing fee charged for each contract traded on the exchange. Prior to the launch of ICE Clear Europe in November 2008, the Company did not recognize any clearing revenue on the ICE Futures Europe and OTC cleared contracts and the cleared transaction fees were remitted by LCH.Clearnet Ltd, a clearing house based in London, to ICE Futures Europe and to the Company for cleared OTC contracts on a monthly basis.

Transaction and clearing fees are recorded net of rebates of \$93.0 million, \$37.3 million and \$7.4 million for the years ended December 31, 2008, 2007 and 2006, respectively. The Company offers rebates in certain of its markets primarily to help generate market liquidity and trading volumes by providing customers trading in those markets a full or partial discount to the applicable commission rate. Typically, the Company offers these rebates until it believes the market has generated sufficient liquidity and volume so that the rebates are no longer needed to sustain and promote liquidity. These rebates reduce revenue that the Company would have generated had it charged full transaction fees and had it generated the same volume without the rebate program.

Market data fee revenues primarily include terminal and license fees received from data vendors in exchange for the provision of real-time futures price information and data access fees. Market data fees are charged to data vendors on a monthly basis based on the number and type of terminals they have carrying futures data. Each data vendor also pays an annual license fee, which is deferred and recognized as revenue ratably over the period of the annual license. Market data fee revenues also include monthly data access fees charged to customers that are signed up to trade on the OTC electronic platform. The monthly data access amount for each company is based on the number of users at each company signed up to trade on the electronic platform. The difference between the monthly data access fee total for each company and the actual

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

amount of commissions paid that month for trading activity is recognized as monthly data access revenues. The actual amount of commissions paid that month for trading activity is recognized as transaction and clearing fee revenues.

Other revenues are recognized as services are provided or they are deferred and amortized ratably over the periods to which they relate.

***Sources of Supplies***

The Company uses 13 primary vendors for equipment used in the electronic platform and its network. If these vendors were unable to meet the Company's needs, management believes that the Company could obtain this equipment from other vendors on comparable terms and that its operating results would not be materially adversely affected.

***Credit Risk and Significant Customers***

The Company's accounts receivable related to its OTC business segment and its market data business segment subjects the Company to credit risk, as the Company does not require its customers to post collateral for bilateral trades or for market data services. The Company does not risk its own capital in transactions or extend credit to market participants in any commodities markets. The Company limits its risk of loss by allowing trading access to companies that qualify as eligible commercial entities, as defined in the Commodity Exchange Act, and by terminating access to trade to entities with delinquent accounts.

The growth of cleared OTC energy products also limits the Company's risk of loss in its OTC business as the clearing houses collect cleared transaction fees on the date the transactions occur. During the year ended December 31, 2008, 62.7% of the OTC business segment commission fee revenues were from cleared trades. The futures businesses have minimal credit risk as all of their transaction revenues are currently cleared through ICE Clear Europe, ICE Clear U.S. or ICE Clear Canada. The Company's clearing businesses have substantial credit risk, as more fully described in Note 14.

The Company's accounts receivable is stated at cost. There were no accounts receivable balances greater than 10% of total consolidated accounts receivable as of December 31, 2008 or December 31, 2007. No single customer accounted for more than 10% of total consolidated revenues during any of the years ended December 31, 2008, 2007 or 2006.

***Stock-Based Compensation***

The Company currently sponsors employee stock option and restricted stock plans. SFAS No. 123(R), *Share-Based Payment*, requires the measurement and recognition of compensation expenses for all share-based payment awards made to employees and directors including employee stock options and restricted stock based on estimated fair values. SFAS No. 123(R) requires companies to estimate the fair value of stock option awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as stock-based compensation expenses over the requisite service period in the Company's consolidated financial statements.

During the years ended December 31, 2008, 2007 and 2006, the Company recognized excess tax benefits of \$44.2 million, \$61.1 million and \$43.3 million, respectively, as an increase to the additional paid-in capital balance. Of that amount, \$44.1 million, \$60.8 million and \$41.0 million for the years ended December 31, 2008, 2007 and 2006, respectively, were qualifying excess tax benefits that are eligible to absorb future write-offs, if any, of unrealized deferred tax assets related to stock options. In accordance with SFAS No. 123(R), the \$44.1 million, \$60.8 million and \$41.0 million is reported as a financing cash flow in the accompanying consolidated statement of cash flows for the years ended December 31, 2008, 2007 and 2006, respectively.

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

Regarding the ordering of tax benefits to determine whether an excess tax benefit is realized, as well as to measure that excess tax benefit, the Company follows applicable tax laws and disregards indirect effects of the excess tax benefit.

Employee and director stock-based compensation expenses and the related income tax benefit recognized for both stock options and restricted stock in the accompanying consolidated statement of income for the year ended December 31, 2008 was \$36.4 million and \$11.5 million, respectively, and was \$23.6 million and \$7.4 million, respectively, for the year ended December 31, 2007 and was \$8.8 million and \$2.8 million, respectively, for the year ended December 31, 2006. The amount expensed for the years ended December 31, 2008, 2007 and 2006 is net of \$2.5 million, \$1.8 million and \$664,000, respectively, of stock-based compensation that was capitalized as software development costs.

The Company uses the Black-Scholes option pricing model for purposes of valuing stock option awards. The Company's determination of fair value of stock option awards on the date of grant using the Black-Scholes option pricing model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected share price volatility over the term of the awards and actual and projected employee stock option exercise behavior. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because the Company's employee stock options have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion, the existing valuation models may not provide an accurate measure of the fair value of the Company's employee stock options. Although the fair value of employee stock options is determined in accordance with SFAS No. 123(R) using an option pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction, if one was to exist.

***Earnings Per Common Share***

Basic earnings per common share is calculated using the weighted average common shares outstanding during the year. Common equivalent shares from stock options and restricted stock awards, using the treasury stock method, are also included in the diluted per share calculations unless their effect of inclusion would be antidilutive (Note 19).

***Treasury Stock***

The Company records treasury stock activities under the cost method whereby the cost of the acquired stock is recorded as treasury stock (Note 10).

***Fair Value of Financial Instruments***

The Company's financial instruments consist primarily of cash and cash equivalents, short-term and long-term restricted cash, short-term and long-term investments, customer accounts receivable, margin deposits and guaranty funds, cost method investments, short-term and long-term debt and other short-term assets and liabilities. The fair value of the investments is determined primarily by quoted prices in active markets for identical securities. The fair value of short-term and long-term debt approximates carrying value since the rate of interest on the debt adjusts to market rates on a periodic basis. All other financial instruments are determined to approximate carrying value due to the short period of time to their maturities.

We carry our cost method investments at cost, or if a decline in the value of the investment is deemed to be other than temporary, at fair value. Estimates of fair value are generally based on a discounted cash flow analysis.

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

***Foreign Currency Translation Adjustments and Foreign Currency Transaction Gains and Losses***

In accordance with SFAS No. 52, *Foreign Currency Translation*, the functional currency of all the Company's U.K. subsidiaries had historically been pounds sterling. The Company translated the assets and liabilities of its U.K. subsidiaries into U.S. dollars using period-end exchange rates and the revenues and expenses of these entities were translated using the average exchange rates for the reporting period. Translation adjustments were recorded in accumulated other comprehensive income, a separate component of shareholders' equity in the accompanying consolidated balance sheets and in the consolidated statements of comprehensive income.

Effective July 1, 2006, the functional currency of the majority of the Company's U.K. subsidiaries, including ICE Futures Europe, became the U.S. dollar. SFAS No. 52 states that the functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency changed based on various economic factors and circumstances, including the fact that during the second quarter of 2006, ICE Futures Europe began to charge and collect exchange fees in U.S. dollars rather than pounds sterling in its key futures contracts, including crude oil and heating oil contracts. The Company no longer recognizes any translation adjustments in the accompanying consolidated financial statements subsequent to June 30, 2006 for those U.K. subsidiaries that have switched their functional currency to the U.S. dollar.

In connection with the Company's acquisition of ICE Futures Canada in August 2007 and Creditex in August 2008 (Note 3), the Company now has foreign currency translation risk equal to its net investment in certain Canadian and U.K. subsidiaries. The revenues, expenses and financial results of these Canadian and U.K. subsidiaries are denominated in Canadian dollars or pounds sterling, which are the functional currencies of these subsidiaries. The financial statements of these subsidiaries are translated into U.S. dollars using current rates of exchange, with gains or losses included in the cumulative translation adjustment account, a component of shareholders' equity.

The Company has foreign currency transaction gains and losses related to the settlement of foreign currency denominated assets, liabilities and payables that occur through its operations which are received in or paid in pounds sterling or euros due to the increase or decrease in the period-end foreign currency exchange rates between periods. Gains and losses from foreign currency transactions are included in other income (expense) in the accompanying consolidated statements of income and resulted in net gains (losses) of \$3.1 million, \$842,000 and (\$288,000) for the years ended December 31, 2008, 2007 and 2006, respectively.

***Marketing and Promotional Fees***

Advertising costs, including print advertising and production costs, product promotion campaigns and seminar, conference and convention costs related to trade shows and other industry events, are expensed as incurred. The Company incurred advertising costs of \$4.3 million, \$4.1 million and \$1.8 million for the years ended December 31, 2008, 2007 and 2006, respectively.

***Recently Adopted Accounting Pronouncements***

In September 2006, the Financial Accounting Standards Board ("FASB"), issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands fair value measurement disclosures. SFAS No. 157 became effective for the Company beginning in fiscal year 2008. The Company's adoption of SFAS No. 157 did not have a material impact on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — including an Amendment of FASB Statement No. 115*, which permits entities to choose to measure certain financial assets and financial liabilities at fair value. Unrealized gains and losses on items

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

for which the fair value option has been elected are reported in earnings. SFAS No. 159 became effective for the Company beginning in fiscal year 2008. The Company's adoption of SFAS No. 159 did not have a material impact on its consolidated financial statements.

***New Accounting Pronouncements***

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*, ("SFAS No. 141 (R)"). SFAS No. 141(R) will significantly change the accounting for business combinations. Under SFAS No. 141 (R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141(R) will change the accounting treatment for certain specific acquisition related items including expensing acquisition related costs as incurred, valuing non-controlling interests at fair value at the acquisition date and expensing restructuring costs associated with an acquired business. SFAS No. 141(R) also includes a substantial number of new disclosure requirements. SFAS No. 141(R) is to be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The Company expects that SFAS No. 141(R) will have an impact on its accounting for future business combinations once adopted but the extent of the impact is dependent upon the size, complexity and number of acquisitions that are made in the future. In addition, as of December 31, 2008, the Company has included deferred acquisition costs of \$2.2 million in its consolidated balance sheet in non-current assets related to the expected 2009 acquisition of The Clearing Corporation. The Clearing Corporation is a clearing house that provides clearing and settlement services to its participants for trades in futures contracts, options on futures contracts and OTC transactions executed on various exchanges and marketplaces. These deferred costs will be expensed upon the Company's adoption of SFAS No. 141 (R) on January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No. 51*. SFAS No. 160 amends ARB No. 51 to establish and improve accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 also changes the way the consolidated income statement is presented, establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation, requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated, and expands disclosures in the consolidated financial statements in order to clearly identify and distinguish between the interests of the parent's owners and the interest of the noncontrolling owners of a subsidiary. SFAS No. 160 is effective for the Company's 2009 fiscal year. The Company does not expect that the adoption of SFAS No. 160 will have a material impact on its consolidated financial statements.

**3. Acquisitions**

***Creditex Acquisition***

The Company acquired 100% of Creditex on August 29, 2008 for a combination of stock and cash. The Company also assumed the Creditex stock option and restricted stock award plans. Creditex is a market leader and innovator in the execution and processing of CDS with markets spanning the United States, Europe and Asia. Creditex serves the most liquid segments of the traded CDS market, including indexes, single-name instruments and standardized tranches. The acquisition provides the Company with the opportunity to expand into the global CDS market, including trade execution and post-trade services. The acquisition has been accounted for as a purchase business combination. Assets acquired and liabilities assumed were recorded at

## Table of Contents

### IntercontinentalExchange, Inc. and Subsidiaries Notes to Consolidated Financial Statements — (Continued)

their estimated fair values as of August 29, 2008. The total purchase price was \$535.4 million, and was comprised of the following (in thousands):

Cash paid to Creditex stockholders	\$ 48,684
Fair value of the Company's common stock and vested stock options issued	475,197
Excess working capital	6,188
Transaction costs	5,326
<b>Total purchase price</b>	<b><u>535,395</u></b>

In connection with the acquisition, the Company issued 4.7 million shares of its common stock to Creditex stockholders and issued 764,000 vested stock options to Creditex employees. The fair value of the Company's common stock was determined for accounting purposes to be \$85.50 per share, which represented the average closing price of the Company's common stock for the five business day period commencing two business days prior to the first date on which the number of shares and the amount of other consideration became fixed, which was August 22, 2008. Acquisition-related transaction costs include investment banking, legal and accounting fees, valuation, printing and other external costs directly related to the acquisition.

Under purchase accounting, the total purchase price was allocated to Creditex's net tangible and identifiable intangible assets based on the estimated fair values of those assets as of August 29, 2008, as set forth below. The excess of the purchase price over the net tangible and identifiable intangible assets was recorded as goodwill. The purchase price allocation is as follows (in thousands):

Cash and cash equivalents and short-term investments	\$ 45,913
Other current assets	35,795
Property and equipment	5,368
Goodwill	380,080
Identifiable intangible assets	215,400
Other noncurrent assets	20,896
Current liabilities	(55,510)
Deferred tax liabilities on identifiable intangible assets	(99,110)
Other long-term liabilities and minority interests	(13,437)
<b>Total purchase price allocation</b>	<b><u>535,395</u></b>

The entire goodwill amount above is included in the OTC business segment for purposes of segment reporting as this is consistent with how it is reported internally to the Company's chief operating decision maker. The entire goodwill amount above was allocated to the Creditex reporting unit for purposes of future impairment testing.

In performing the purchase price allocation, the Company considered, among other factors, the intended future use of acquired assets, analyses of historical financial performance and estimates of future performance of Creditex's business. The following table sets forth the components of intangible assets associated with the acquisition as of December 31, 2008 (in thousands, except years):

<u>Intangible Asset</u>	<u>Fair Value</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Useful Life</u>
Customer relationships	\$184,000	\$ 3,534	\$180,466	12 years
Non-compete agreements	15,100	2,990	12,110	1-1.75 years
Developed technology	13,700	1,476	12,224	5 years
Trade names	2,600	433	2,167	2 years
<b>Total</b>	<b><u>\$215,400</u></b>	<b><u>\$ 8,433</u></b>	<b><u>\$206,967</u></b>	

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

Customer relationships represent the established and ongoing relationships with Creditex's existing customers. Non-compete agreements represent the estimated fair value of agreements with Creditex's brokers and management team. Developed technology represents both internally and externally developed software related to Creditex trading operations. Trade names represent the estimated fair value of the Creditex trade names and trademarks. The customer relationships intangible assets and the developed technology intangible assets are being amortized using an accelerated method over their estimated useful lives and the other intangible assets are being amortized using the straight-line method over their estimated useful lives.

The financial information in the table below summarizes the combined results of operations of the Company and Creditex, on a pro forma basis, as though the companies had been combined as of the beginning of the periods presented. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the periods presented. Such pro forma financial information is based on the historical financial statements of the Company and Creditex. This pro forma financial information is based on estimates and assumptions that have been made solely for purposes of developing such pro forma information, including, without limitation, purchase accounting adjustments. The pro forma financial information presented below also includes depreciation and amortization based on the preliminary valuation of Creditex's tangible assets and identifiable intangible assets resulting from the acquisition. The pro forma financial information does not reflect any synergies or operating cost reductions that may be achieved from the combined operations. The pro forma financial information combines the historical results for the Company and Creditex for the years ended December 31, 2008 and 2007 in the following table (in thousands).

	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
Revenues	\$933,584	\$733,634
Net Income	\$286,841	\$225,924
Earnings per common share — Basic	\$ 3.77	\$ 3.06
Earnings per common share — Diluted	\$ 3.72	\$ 2.95

***ICE Futures U.S. Acquisition***

The Company completed its acquisition of ICE Futures U.S. on January 12, 2007. The acquisition has been accounted for as a purchase business combination. Assets acquired and liabilities assumed were recorded at their estimated fair values as of January 12, 2007. The total purchase price was \$1.1 billion, and was comprised of the following (in thousands):

Cash paid to ICE Futures U.S. members	\$ 400,000
Fair value of the Company's common stock issued	706,663
Excess working capital	2,109
Transaction costs	14,670
Total purchase price	<u>\$1,123,442</u>

In connection with the acquisition, the Company issued 10.3 million shares of its common stock to ICE Futures U.S. members. The fair value of the Company's common stock was determined for accounting purposes to be \$68.63 per share, which represented the average closing price of the Company's common stock for the five business day period commencing two business days prior to the public announcement of the acquisition on September 14, 2006.

Under purchase accounting, the total purchase price was allocated to ICE Futures U.S.'s net tangible and identifiable intangible assets based on the estimated fair values of these assets as of January 12, 2007, as set

## Table of Contents

### IntercontinentalExchange, Inc. and Subsidiaries Notes to Consolidated Financial Statements — (Continued)

forth below. The excess of the purchase price over the net tangible and identifiable intangible assets was recorded as goodwill. The purchase price allocation is as follows (in thousands):

Cash and cash equivalents and short-term investments	\$ 39,945
Margin deposits and guaranty funds	784,385
Other current assets	14,993
Property and equipment	16,149
Goodwill	890,573
Identifiable intangible assets	327,500
Other noncurrent assets	24,658
Accounts payable and other accrued liabilities	(37,985)
Accrued restructuring costs	(14,366)
Margin deposits and guaranty funds	(784,385)
Deferred tax liabilities	(114,108)
Other long-term liabilities	(23,917)
Total purchase price allocation	<u>\$1,123,442</u>

The entire goodwill amount above is included in the OTC business segment for purposes of segment reporting as this is consistent with how it is reported internally to the Company's chief operating decision maker. Of the ICE Futures U.S. goodwill balance above, \$443.5 million was allocated to the OTC reporting unit, \$266.1 million was allocated to the ICE Futures Europe reporting unit, \$19.7 million was allocated to the market data reporting unit and the remaining \$161.3 million was allocated to the ICE Futures U.S. reporting unit for purposes of impairment testing. The goodwill from the ICE Futures U.S. acquisition was allocated based on the portion of the synergy, costs savings and other expected future cash flows expected to benefit the reporting units at the time of the acquisition.

The following table sets forth the components of intangible assets associated with the acquisition as of December 31, 2008 (in thousands, except years):

<u>Intangible Asset</u>	<u>Fair Value</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Useful Life</u>
Agriculture and soft commodity trading products	\$195,200	\$ —	\$195,200	Indefinite
Financial trading products	14,400	1,003	13,397	20 years
Customer relationships	29,700	4,030	25,670	17-20 years
Technology	7,900	5,178	2,722	3 years
Non-compete agreements	12,000	7,894	4,106	2-5 years
DCM/DCO designation	68,300	—	68,300	Indefinite
Total	<u>\$327,500</u>	<u>\$ 18,105</u>	<u>\$309,395</u>	

The agriculture and soft commodity trading products identifiable intangible asset relates to the core trading product rights and privileges relating to the agriculture and soft commodity trading products. An indefinite life was used for the agriculture and soft commodity trading products as these products have traded for many years at ICE Futures U.S., ICE Futures U.S. is allowed to trade these products without requiring a license from any third party and authorizations by the CFTC to trade these products are perpetual. The financial trading products have been assigned a 20 year useful life as they do not have a long trading history, are not unique to ICE Futures U.S. and in some cases are dependent on licenses with third parties. Customer relationships represent the underlying relationships with ICE Futures U.S.'s existing customers. Technology

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

represents both internally and externally developed software related to clearing operations, back office, floor operations and general operations. Non-compete agreements represent the estimated fair value of agreements with ICE Futures U.S.'s former management team. DCM/DCO designation represents Designated Contract Market ("DCM") and Derivatives Clearing Organization ("DCO") designations available from the CFTC under the Commodity Exchange Act when certain standards are met. The customer relationships intangible asset and the financial trading products intangible asset are being amortized using an accelerated method and the other finite-lived intangible assets are being amortized using the straight-line method.

As a part of the acquisition of ICE Futures U.S., the Company formed a plan to restructure the ICE Futures U.S. duplicative employee functions to align them with the Company's existing business functions and to streamline ICE Futures U.S.'s operations. The restructuring costs and the related payments are documented in the following table (in thousands):

Reserve balance, January 12, 2007	\$ 11,040
Increase in reserve	3,326
Cost applied against the reserve	<u>(11,761)</u>
Reserve balance, December 31, 2007	2,605
Cost applied against the reserve	<u>(2,605)</u>
Reserve balance, December 31, 2008	<u>\$ —</u>

***Other Acquisitions***

On February 13, 2008, the Company acquired 100% of YellowJacket Software, Inc. ("YellowJacket") for a combination of stock and cash. YellowJacket is a financial technology firm that operates electronic trade negotiation technology which offers a range of trading tools including instant communication, negotiation and data for various financial markets. With the YellowJacket platform, traders can aggregate and consolidate fragmented instant message-based communications and key transaction details on a single screen. The acquisition has been accounted for as a purchase business combination. The financial results of YellowJacket have been included in the OTC business segment from the date of acquisition.

On October 1, 2007, the Company acquired certain assets of Chatham Energy Partners, LLC ("Chatham") for cash. Chatham is a leading OTC brokerage firm that specializes in structuring and facilitating transactions in the natural gas markets for energy options. Chatham supports the execution of the Company's strategic plans to develop the leading electronic marketplace for the execution of OTC energy options. The acquisition has been accounted for as a purchase business combination. The financial results of Chatham have been included in the OTC business segment from the date of acquisition.

On August 27, 2007, the Company acquired 100% of ICE Futures Canada and its clearing house, ICE Clear Canada, Inc., for cash. ICE Futures Canada is the leading agricultural futures exchange in Canada and it offers futures and options contracts on canola and western barley. In connection with the acquisition, the Company transitioned the trading of the ICE Futures Canada products to the Company's electronic platform in December 2007. The acquisition has been accounted for as a purchase business combination. The financial results have been included in the futures business segment from the date of acquisition.

On July 9, 2007, the Company acquired certain assets of ChemConnect Inc. for cash. ChemConnect is an electronic marketplace for the trading of OTC natural gas liquids and chemical products, including propane, ethane, ethylene, propylene and benzene. On the closing date of the acquisition, the Company transitioned the trading of these products to the Company's electronic platform. The acquisition has been accounted for as a purchase business combination. The financial results have been included in the OTC business segment from the date of acquisition.

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

On February 28, 2007, the Company acquired all the assets of Commoditrack, Inc. for a combination of cash and the Company's common stock. The acquisition enables the Company to provide its customers a real-time risk management program as well as the ability to download trades and access profit and loss detail on the Company's electronic platform. The acquisition has been accounted for as a purchase business combination. The financial results have been included in the OTC business segment from the date of acquisition.

The aggregate cost of these other acquisitions was \$150.7 million, which was paid in cash and stock. Under purchase accounting, the total purchase price was allocated to net tangible and identifiable intangible assets based on estimated fair values of these assets. The Company will make additional payments in cash or stock to certain former shareholders of YellowJacket and former shareholders of certain other acquired companies if specified revenue targets or certain other strategic goals specified in the purchase agreements for those acquired companies are achieved. The maximum annual contingent payments that could be made in 2009 and 2010 are \$16.2 million and \$79.2 million, respectively.

**4. Short-Term and Long-Term Restricted Cash**

As a Recognized Investment Exchange, the FSA in the United Kingdom requires ICE Futures Europe to restrict the use of the equivalent of six months of operating expenditures in cash or cash equivalents at all times. As of December 31, 2008 and 2007, this amount was equal to \$12.1 million and \$13.1 million, respectively, and is reflected as short-term restricted cash in the accompanying consolidated balance sheets.

The Company owns 100% of ICE Markets Limited, which is based in London and supports the markets for European energy commodities, performs helpdesk functions and is authorized by the FSA to act as an arranger of deals in investments. The FSA requires ICE Markets Limited to maintain a minimum level of financial resources, which is calculated monthly on the basis of 25% of the relevant annual expenditures, adjusted for any illiquid assets. As of December 31, 2008 and 2007, the resource requirement was equal to \$1.9 million and \$2.7 million, respectively, and is reflected as short-term restricted cash in the accompanying consolidated balance sheets.

The Company formed ICE Clear Europe to serve as a clearing house to perform the clearing and settlement of each futures and options contract that trades through ICE Futures Europe and for all of the Company's cleared OTC energy products. ICE Clear Europe began clearing these contracts in November 2008, upon the transition of the clearing function from LCH.Clearnet Ltd. ICE Clear Europe has been recognized by the FSA as a U.K. Recognized Clearing House. As such, the FSA requires ICE Clear Europe to restrict the use of the equivalent of six months of operating expenditures in cash or cash equivalents at all times. As of December 31, 2008, the resource requirement was equal to \$7.2 million and is reflected as short-term restricted cash in the accompanying consolidated balance sheet.

Consistent with the other clearing houses that the Company owns, ICE Clear Europe requires that each clearing member make deposits in a fund known as the guaranty fund. The amounts in the guaranty fund will serve to secure the obligations of a clearing member to ICE Clear Europe and may be used to cover losses in excess of the margin and clearing firm accounts sustained by ICE Clear Europe in the event of a default of a clearing member. ICE Clear Europe has committed \$100.0 million of its own cash as part of its guaranty fund. This contribution was made in July 2008 and this cash is reflected as long-term restricted cash in the consolidated balance sheet as of December 31, 2008. ICE Clear U.S. and ICE Clear Canada do not contribute to their respective guaranty funds.

As of December 31, 2008 and 2007, there is \$15.3 million and \$6.9 million, respectively, of cash held as escrow for previous acquisitions that is reflected as short-term and long-term restricted cash in the accompanying consolidated balance sheets.

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

**5. Short-Term and Long-Term Investments**

Investments consist of available-for-sale securities. Available-for-sale securities are carried at fair value using primarily quoted prices in active markets for identical securities, with unrealized gains or losses reported as a component of accumulated other comprehensive income. The cost of securities sold is based on the specific identification method. As of December 31, 2008, available-for-sale securities consisted of the following (in thousands):

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
Foreign government securities	\$ 143	\$ 1	\$ —	\$ 144
U.S. Treasury securities	1,997	—	—	1,997
Equity securities	8	—	2	6
Corporate bonds	1,320	—	48	1,272
Municipal bonds	<u>3,065</u>	<u>—</u>	<u>—</u>	<u>3,065</u>
Total	<u>\$6,533</u>	<u>\$ 1</u>	<u>\$ 50</u>	<u>\$ 6,484</u>

As of December 31, 2007, available-for-sale securities consisted of the following (in thousands):

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
Government securities	\$ 418	\$ —	\$ 1	\$ 417
Corporate bonds	28,757	106	46	28,817
Municipal bonds	<u>111,721</u>	<u>—</u>	<u>—</u>	<u>111,721</u>
Total	<u>\$140,896</u>	<u>\$ 106</u>	<u>\$ 47</u>	<u>\$140,955</u>

The contractual maturities of these investments as of December 31, 2008, were as follows (in thousands):

	<u>Estimated Fair Value</u>
Maturities:	
Due within 1 year	\$ 3,107
Due within 1 year to 5 years	312
Due within 5 years to 10 years	—
Due after 10 years	<u>3,065</u>
Total	<u>\$ 6,484</u>

Investments that the Company intends to hold for more than one year are classified as long-term investments. The Company currently expects to hold \$3.1 million of the investments for more than one year as of December 31, 2008 and has classified them as long-term investments in the accompanying consolidated balance sheet. The \$3.1 million in long-term investments relates to an auction rate security that failed to settle at auction during the year ended December 31, 2008 due to recent credit market conditions. The fair value of this auction rate security, which has continued to pay the full coupon rate and has a high credit rating, was determined based on level 3 unobservable inputs, which means the inputs reflect management's own assumptions and the assets trade infrequently, and are supported by little or no market activity that are significant to the fair value of the asset. The Company does not intend to hold any of the other investments for more than one year. Therefore, the Company has classified the remaining \$3.4 million and \$141.0 million as short-term investments in the accompanying consolidated balance sheet as of December 31, 2008 and 2007, respectively.

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

The Company considers all short-term, highly liquid investments with remaining maturities at the purchase date of three months or less at the time of purchase to be cash equivalents. Due to the Company's decision to shift more of its funds into cash equivalent investments, the available-for-sale short-term and long-term investments decreased from \$141.0 million as of December 31, 2007 to \$6.5 million as of December 31, 2008. The decision to invest more in cash and cash equivalent investments was primarily due to credit market conditions.

**6. Cost Method Investments and Impairment of NCDEX**

The Company has an 8% equity ownership in the National Commodity and Derivatives Exchange, Ltd ("NCDEX"), a derivatives exchange located in Mumbai, India, which it acquired for \$37.0 million in 2006. In response to political pressure regarding high commodity prices, the Indian government suspended trading in several key agricultural contracts traded on NCDEX during the year ended December 31, 2007. It is not yet certain whether these suspensions will be permanent. However, the Company currently believes that the delisting of the contracts may be a temporary event as price volatility actually increased after the contracts were delisted from trading, suggesting little to no correlation between trading in these products and price volatility. The Company also may be required to sell a portion of its NCDEX stake by June 30, 2009 as a result of a recently announced change in Indian law that limits the total ownership by foreign entities in Indian commodities exchanges to a maximum of 5%. The Company, as well as NCDEX and other non-Indian NCDEX shareholders, have petitioned the Indian government and the Forward Markets Commission, the market regulator, to either increase the foreign ownership limit, to grandfather those who were foreign investors at the time that the law was passed in August 2008 or to extend the amount of time permitted to sell interests in excess of 5% given current market challenges. If these petitions are not successful, the Company could be required to sell the 3% interest by June 2009 or shortly thereafter. The Company currently believes there may not be sufficient demand for its shares due to current market conditions such that it will likely not be able to recover its carrying value if it is required to sell the 3% stake in the near term.

The Company has estimated the current fair value of the NCDEX investment to be in the range of \$19 million to \$23 million as of December 31, 2008. The fair value of this investment was determined based on level 3 unobservable inputs, which represent management's own assumptions. The level 3 inputs were based on analyses of discounted cash flows, comparable investments made by other companies and revenue multiples, weighted based on applicability. Observable inputs were not available as the asset trades infrequently and has little or no market activity that would be useful in estimating fair value. Given the significance of the decrease in the estimated fair value resulting from the suspended trading of the key NCDEX contracts, potential foreign investment limits, current market conditions and the uncertainty surrounding the potential for the Company to recover the carrying value of the investment, the Company has written down its cost method investment in NCDEX. As of December 31, 2008, the Company recorded an impairment loss of \$15.7 million, reducing the carrying value of the investment to \$21.3 million. The \$15.7 million impairment loss was recognized as other expense in the accompanying consolidated statement of income for the year ended December 31, 2008. The Company will continue to monitor the \$21.3 million carrying value and if it is determined that additional other-than-temporary impairment exists, the Company will recognize an impairment loss equal to the difference between the fair value and the adjusted carrying value of the 8% equity stake.

The Company has cost method investments in The Clearing Corporation and in Trade-Settlement, Inc., both of which the Company acquired in connection with its acquisition of Creditex on August 29, 2008. Trade-Settlement, Inc. is a post trade loan settlement process company that serves the global primary and secondary syndicated loan markets. The Company also has cost method investments in LCH.Clearnet Ltd, a third party clearing house that previously cleared the Company's OTC and energy futures contracts until the transition to ICE Clear Europe in November 2008, and in Psydex Corporation, a company that provides news aggregation services. The Company uses the cost method to account for these investments as the Company

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

does not control and does not have the ability to exercise significant influence over the operating and financial policies of these companies.

**7. Property and Equipment**

Property and equipment consisted of the following as of December 31, 2008 and 2007:

	<u>December 31,</u>		<u>Depreciation</u> <u>Period</u>
	<u>2008</u>	<u>2007</u>	
	(In thousands)		(In years)
Computer and network equipment	\$ 64,398	\$ 46,393	3
Software and internally developed software	94,733	70,336	3
Office furniture and equipment	12,830	11,707	5
Leasehold improvements	<u>27,028</u>	<u>14,492</u>	7
	198,989	142,928	
Less accumulated depreciation and amortization	<u>(110,037)</u>	<u>(79,404)</u>	
Property and equipment, net	<u>\$ 88,952</u>	<u>\$ 63,524</u>	

For the years ended December 31, 2008, 2007 and 2006, amortization of software and internally developed software was \$12.7 million, \$8.1 million and \$6.1 million, respectively, and depreciation of all other property and equipment was \$19.7 million, \$15.1 million and \$4.7 million, respectively. The unamortized software and internally developed software balances were \$32.8 million and \$21.5 million as of December 31, 2008 and 2007, respectively.

In August 2006, the Company entered into an agreement with a third party to sell its former open-outcry disaster recovery site in London. Prior to the closure of the Company's open-outcry floor in London during April 2005, the building on this site was used as a backup open-outcry trading facility. The sale was completed in February 2007 at which time final payment was received and a net gain on disposal of an asset of \$9.3 million was recognized as other income in the accompanying consolidated statement of income for the year ended December 31, 2007.

**8. Goodwill and Other Intangible Assets**

The following is a summary of the activity in the goodwill balance for the years ended December 31, 2008 and 2007 (in thousands):

Goodwill balance at January 1, 2007	\$ 79,575
Acquisition of ICE Futures U.S.	890,466
Other acquisitions	37,801
Other activity	<u>1,845</u>
Goodwill balance at December 31, 2007	1,009,687
Acquisition of Creditex	380,080
Acquisition of YellowJacket	46,961
Other activity	<u>(1,912)</u>
Goodwill balance at December 31, 2008	<u>\$1,434,816</u>

The Company completed the ICE Futures U.S. acquisition during the year ended December 31, 2007, which resulted in goodwill of \$890.6 million, and the Creditex acquisition during the year ended December 31, 2008, which resulted in goodwill of \$380.1 million (Note 3). The Company also completed the acquisition of YellowJacket during the year ended December 31, 2008 and the acquisitions of Commoditrack, ChemConnect, ICE Futures Canada and Chatham during the year ended December 31, 2007. The total amount of goodwill

Table of Contents

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

expected to be deductible for tax purposes for the Company's acquisitions is \$15.1 million. The other activity in the goodwill balance relates to adjustments to the purchase price and related goodwill for acquisitions completed in the prior years, primarily relating to updated valuations of identified intangible assets, and to foreign currency translation adjustments. The Company did not recognize any impairment losses on goodwill during the years ended December 31, 2008, 2007 and 2006.

Other intangible assets and the related accumulated amortization consisted of the following as of December 31, 2008 and 2007:

	<u>December 31,</u>		<u>Useful Life</u> (In years)
	<u>2008</u>	<u>2007</u>	
	(In thousands)		
Customer relationships	\$249,409	\$ 62,709	4 to 20
Russell licensing rights	149,796	149,796	7
Trading products with finite lives	14,400	14,400	20
Non-compete agreements	31,402	15,502	1 to 5
Technology	31,580	9,383	3 to 11
Other	<u>2,585</u>	<u>665</u>	2 to 5
	479,172	252,455	
Less accumulated amortization	<u>(45,516)</u>	<u>(15,754)</u>	
Total finite-lived intangible assets, net	<u>433,656</u>	<u>236,701</u>	
Trading products with indefinite-lives	212,684	216,858	
DCM/DCO designation for ICE Futures U.S.	68,300	68,300	
Other	<u>14,215</u>	<u>15,863</u>	
Total other indefinite-lived intangible assets	<u>295,199</u>	<u>301,021</u>	
Total other intangible assets, net	<u>\$728,855</u>	<u>\$537,722</u>	

See Note 3 for a discussion of the \$327.5 million in other intangible assets relating to the ICE Futures U.S. acquisition during the year ended December 31, 2007 and \$215.4 million in other intangible assets relating to the Creditex acquisition during the year ended December 31, 2008. See Note 15 for a discussion of the \$149.8 million in Russell licensing rights. In addition to the Creditex acquisition, the Company also increased the other intangibles assets by \$5.5 million during the year ended December 31, 2008 relating to the YellowJacket acquisition completed during the year ended December 31, 2008 and updated valuations of identified intangible assets for acquisition completed during the year ended December 31, 2007.

For the years ended December 31, 2008, 2007 and 2006, amortization of other intangible assets was \$29.8 million, \$9.5 million and \$648,000, respectively. Collectively, the remaining weighted average useful lives of the finite-lived intangible assets is 11.3 years. The Company expects future amortization expense from other intangible assets as of December 31, 2008 to be as follows (in thousands):

2009	\$ 63,354
2010	55,860
2011	54,642
2012	53,068
2013	52,377
Thereafter	<u>154,355</u>
	<u>\$433,656</u>

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

**9. Credit Facilities**

The Company has a senior unsecured credit agreement under which a term loan facility in the aggregate principal amount of \$184.4 million is outstanding as of December 31, 2008, and a revolving credit facility in the aggregate principal amount of \$250.0 million (collectively, the “Credit Facilities”). Under the terms of the Credit Facilities, the Company may borrow an aggregate principal amount of up to \$250.0 million under the revolving credit facility at any time until its termination on January 12, 2010. The Company has agreed to reserve \$50.0 million of the \$250.0 million available under the revolving credit facility for use by ICE Clear U.S., ICE Futures U.S.’s clearing organization, to provide short-term liquidity, if necessary, in the event of default by a clearing member firm. The Company borrowed \$195.0 million under the revolving credit facility during the three months ended September 30, 2008 and that amount is outstanding as of December 31, 2008. This amount was used by the Company for stock repurchases (Note 10). The remaining amount under the revolving credit facility, which is \$5.0 million after factoring in the \$50.0 million reserved for ICE Clear U.S., could be used by the Company for general corporate purposes.

Loans under the Credit Facilities shall, at the option of the Company, bear interest on the principal amount outstanding at either (i) LIBOR plus an applicable margin rate or (ii) a “base rate” plus an applicable margin rate. The “base rate” will be equal to the higher of (i) Wachovia Bank, National Association’s (“Wachovia”) prime rate or (ii) the federal funds rate plus 0.5%. The applicable margin rate ranges from 0.625% to 1.125% on the LIBOR loans and from 0.00% to 0.125% for the base rate loans based on the Company’s total leverage ratio calculated on a trailing twelve month period. Interest on each loan is payable quarterly. As of December 31, 2008, the Company had a six-month LIBOR loan for \$184.4 million outstanding under the term loan facility with a stated interest rate of 2.44% per annum, including the applicable margin rate at December 31, 2008 of 0.625% on the LIBOR loan. For the borrowings under the term loan facility, the Company began making payments on June 30, 2007, and will make payments quarterly thereafter until January 12, 2012, the fifth anniversary of the closing date of the merger with ICE Futures U.S. Aggregate principal maturities on this note over each of the next four years are \$46.9 million, \$50.0 million, \$68.8 million and \$18.7 million in 2009, 2010, 2011 and 2012, respectively. As of December 31, 2008, the Company had a six-month LIBOR loan for \$195.0 million outstanding under the revolving credit facility with a stated interest rate of 3.60% per annum, including the applicable margin rate at December 31, 2008 of 0.50% on the LIBOR loan. For the borrowings under the revolving credit facility, any amount borrowed would need to be repaid by January 12, 2010.

The Credit Facilities require the Company to use 100% of the net cash proceeds raised from debt issuances or asset dispositions, with certain limited exceptions, to prepay outstanding loans under the Credit Facilities. With limited exceptions, the Company may prepay the outstanding loans under the Credit Facilities, in whole or in part, without premium or penalty. The Credit Facilities contain affirmative and negative covenants, including, but not limited to, leverage and interest coverage ratios, as well as limitations or required approvals for acquisitions, dispositions of assets and certain investments, the incurrence of additional debt or the creation of liens and other fundamental changes to the Company’s business. The Company has been and is currently in compliance with all applicable covenants under the Credit Facilities.

On June 27, 2008, the Company entered into a separate senior unsecured credit agreement (the “Credit Agreement”) with Wachovia, as Administrative Agent, Bank of America, N.A., as Syndication Agent, and the lenders named therein. The Credit Agreement provides for a 364-day revolving credit facility in the aggregate principal amount of \$150.0 million, which may be increased to \$200.0 million under certain conditions. The Credit Agreement is available for operational use solely by ICE Clear Europe, the Company’s wholly-owned U.K. clearing house. Loans under the Credit Agreement shall, at the option of the Company, bear interest on the principal amount outstanding at either (i) LIBOR plus an applicable margin rate or (ii) a “base rate” plus an applicable margin rate. The “base rate” will be equal to the higher of (i) Wachovia’s prime rate or (ii) the federal funds rate plus 0.5%. The applicable margin rate ranges from 1.50% to 2.50% on the LIBOR loans

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

and from 0.50% to 1.50% for the base rate loans based on the Company's total leverage ratio calculated on a trailing twelve month period. No amounts are outstanding under the \$150.0 million Credit Agreement as of December 31, 2008.

**10. Shareholders' Equity**

*Stock Option Plans*

The Company has adopted the IntercontinentalExchange, Inc. 2000 Stock Option Plan (the "2000 Stock Option Plan"). As of December 31, 2008, there are 5,250,000 shares of common stock reserved for issuance under the 2000 Stock Option Plan, of which 45,282 shares are available for future issuance as of December 31, 2008. The Company has also adopted the IntercontinentalExchange, Inc. 2005 Equity Incentive Plan (the "2005 Equity Incentive Plan"). The 2005 Equity Incentive Plan allows the Company to grant incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock and restricted stock units. As of December 31, 2008, there are 2,125,000 shares reserved for issuance under the 2005 Equity Incentive Plan, of which 903,320 shares are available for future issuance as of December 31, 2008. In connection with the acquisition of Creditex in August 2008 (Note 3), the Company assumed the 1999 Stock Options/Stock Issuance Plan of Creditex ("the Creditex Plan"). Details of the Creditex Plan are discussed below.

Stock options are granted at the discretion of the compensation committee of the board of directors. All stock options are granted at an exercise price equal to the fair value of the common stock on the date of grant. The grant date fair value is based on the closing stock price on the date of grant. The fair value of the stock options on the date of grant is recognized as expense ratably over the vesting period, net of estimated forfeitures. The Company may grant, under provisions of the plans, both incentive stock options and nonqualified stock options. The options generally vest from three to four years, but can vest at different intervals based on the compensation committee's determination. Generally, options may be exercised up to ten years after the date of grant, but generally expire 14 days after termination of employment. The following is a summary of options for the years ended December 31, 2008, 2007 and 2006:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price per Option</u>
Outstanding at January 1, 2006	4,787,418	\$ 9.51
Granted	170,654	100.38
Exercised	(2,510,481)	8.80
Forfeited	(142,683)	8.49
Outstanding at December 31, 2006	<u>2,304,908</u>	17.05
Granted	108,126	180.63
Exercised	(1,043,734)	9.51
Forfeited	(10,213)	10.79
Outstanding at December 31, 2007	<u>1,359,087</u>	35.91
Granted	1,534,390	31.28
Exercised	(397,255)	13.05
Forfeited	(32,807)	26.94
Outstanding at December 31, 2008	<u><u>2,463,415</u></u>	36.83

## Table of Contents

### IntercontinentalExchange, Inc. and Subsidiaries Notes to Consolidated Financial Statements — (Continued)

Details of stock options outstanding as of December 31, 2008 are as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (In thousands)
Vested or expected to vest	2,281,687	\$34.68	6.94	\$118,308
Exercisable	1,675,337	\$24.35	6.32	\$101,377

The total intrinsic value of stock options exercised during the years ended December 31, 2008, 2007 and 2006 were \$45.3 million, \$143.6 million and \$157.7 million, respectively. As of December 31, 2008, there were \$28.7 million in total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average period of 2.6 years as the stock options vest.

Details of options outstanding as of December 31, 2008 are as follows:

Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Options Exercisable
\$ 4.19 - 12.00	878,429	5.3	874,944
17.57 - 35.08	851,398	7.3	627,498
45.84 - 81.25	499,820	9.2	48,320
104.23 - 138.80	138,200	8.0	91,106
156.78 - 189.43	95,568	8.9	33,469
Total	<u>2,463,415</u>	7.1	<u>1,675,337</u>

Of the options outstanding at December 31, 2008, 1,675,337 were exercisable at a weighted-average exercise price of \$24.35. Of the options outstanding at December 31, 2007, 936,690 were exercisable at a weighted-average exercise price of \$15.59. Of the options outstanding at December 31, 2006, 1,346,834 were exercisable at a weighted-average exercise price of \$9.17.

The Company completed its acquisition of Creditex on August 29, 2008 (Note 3). In connection with the acquisition, the Company assumed the stock option and restricted stock plans of Creditex into the Company's stock award plans. As a result, the Company exchanged its stock options and restricted stock for Creditex stock options and restricted stock. The fair value of the acquiring-company awards was less than the fair value of the acquired-company awards. The Company issued approximately 764,000 vested stock options to Creditex employees. The Company issued approximately 636,000 unvested stock option awards and approximately 179,000 unvested restricted stock awards issued to Creditex employees and will recognize non-cash compensation expense on a straight-line basis as the awards vest based on the fair value of the awards on the consummation date of the transaction on August 29, 2008. These 1.4 million stock options issued are included in the tables above as being granted during the year ended December 31, 2008.

The Company uses the Black-Scholes option pricing model for purposes of valuing stock option awards. The Company has used the Black-Scholes option pricing model weighted-average assumptions in the table below to compute the value of all options for shares of common stock granted to employees, including options exchanged in connection with the acquisition of Creditex:

Assumptions	Year Ended December 31,		
	2008	2007	2006
Risk-free interest rate	2.13%	3.8%	4.6%
Expected life in years	1.7	6	6
Expected volatility	52%	49%	49%
Expected dividend yield	0%	0%	0%
Estimated weighted-average fair value of options granted per share	\$64.65	\$92.58	\$53.06

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

The risk-free interest rate is based on the zero-coupon U.S. Treasury yield curve in effect at the time of grant. Expected volatilities are based on historical volatility of the Company's stock. The expected life computation is derived from historical exercise patterns and anticipated future patterns. The decrease in the expected life assumption from prior years is primarily a result of the expected short life of awards exchanged in connection with the Creditex acquisition, as well as the Company's historical exercise patterns.

***Restricted Stock Plans***

The Company has adopted the IntercontinentalExchange, Inc. 2004 Restricted Stock Plan (the "Restricted Plan"). As of December 31, 2008, there are 1,475,000 shares of common stock reserved for issuance under the Restricted Plan, of which 117,768 shares are available for future issuance as of December 31, 2008.

The Company granted a maximum of 677,484, 398,013 and 407,661 time-based and performance-based restricted stock units under the 2005 Equity Incentive Plan and the Restricted Plan during the years ended December 31, 2008, 2007 and 2006, respectively, including 211,589, 85,460 and 141,111 time-based restricted stock units in 2008, 2007 and 2006, respectively. The grant date fair value of each award is based on the closing stock price at the date of grant. The fair value of the time-based restricted stock units on the date of the grant is recognized as expense ratably over the vesting period, net of forfeitures. Granted but unvested shares would be forfeited upon termination of employment. When restricted stock is forfeited, compensation costs previously recognized for unvested shares are reversed. Until the shares vest and are issued, the participants have no voting or dividend rights and the shares may not be sold, assigned, transferred, pledged or otherwise encumbered.

Under SFAS No. 123(R), the Company will recognize compensation costs, net of forfeitures, using an accelerated attribution method over the vesting period for awards with performance conditions. Compensation costs for such awards will be recognized only if it is probable that the condition will be satisfied. If the Company initially determines that it is not probable that the performance condition will be satisfied and later determines that it is probable that the performance condition will be satisfied, or vice versa, the effect of the change in estimate will be accounted for in the period of change by recording a cumulative catch-up adjustment to retroactively apply the new estimate. The Company would recognize the remaining compensation costs over the remaining vesting period. The Company's compensation committee, pursuant to the terms of the 2005 Equity Incentive Plan and the authority delegated to it by the Company's board of directors, can make equitable adjustments to the performance condition in recognition of unusual or non-recurring events.

In December 2008, the Company reserved a maximum of 465,895 restricted shares for potential issuance as performance-based restricted shares for certain Company employees. These restricted shares are also subject to a market condition that may reduce the number of shares that are granted if the 2009 Company total shareholder return falls below that of the Dow Jones Global Exchanges Index. The number of shares granted will be reduced by either 10% or 20% if the 2009 Company total shareholder return is below the 2009 return of the Dow Jones Global Exchange Index. These shares vest over a three-year period based on the Company's financial performance targets set by the Company's compensation committee for the year ending December 31, 2009. The potential compensation expenses to be recognized under these performance-based restricted shares are expected to be \$6.3 million if the Threshold Performance Target is met and 93,179 shares vest, \$12.7 million if the Target Performance Target is met and 186,358 shares vest, \$22.2 million if the Above Target Performance Target is met and 326,127 shares vest, and \$31.7 million if the Maximum Performance Target is met and 465,895 shares vest. Shares to be granted will be prorated on a straight-line basis between performance level targets. The Company will recognize expense on an accelerated basis over the three-year vesting period beginning January 1, 2009 based on the Company's quarterly assessment of the probable 2009 actual performance as compared to the 2009 financial performance targets.

In December 2007, the Company reserved a maximum of 309,913 restricted shares for potential issuance as performance-based restricted shares for certain Company employees. These restricted shares were subject to

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

a market condition that reduced the number of shares that were granted since the 2008 Company total shareholder return fell below that of the S&P 500 Index. Based on the actual shareholder return for the year ended December 31, 2008 compared to the S&P 500 Index, the Company reduced the number of shares granted by 20%. These shares vest over a three-year period based on the Company's financial performance targets set by the Company's compensation committee for the year ending December 31, 2008. As of December 31, 2008, the Company determined that the 96.8% target level was achieved for this award and 88,590 restricted shares were granted. The Company recorded non-cash compensation expenses in the accompanying consolidated statement of income of \$9.8 million for the year ended December 31, 2008 relating to this performance-based plan. The remaining \$6.2 million in non-cash compensation expenses will be expensed on an accelerated basis over the remaining two-year vesting period.

In December 2006, the Company reserved a maximum of 269,190 restricted shares for potential issuance as performance-based restricted shares for certain Company employees, of which 207,382 restricted shares were ultimately granted based on the Company's financial performance targets set by the Company's compensation committee for the year ended December 31, 2007. These shares vest over a three-year period. Non-cash compensation expenses recorded in the accompanying consolidated statements of income related to this performance-based plan were \$5.1 million and \$11.2 million for the years ended December 31, 2008 and 2007, respectively, and the remaining \$2.0 million in non-cash compensation expenses will be expensed during the year ended December 31, 2009.

The Company has adopted the IntercontinentalExchange, Inc. 2003 Restricted Stock Deferral Plan for Outside Directors (the "Director Plan"). Directors can elect to receive up to 100% of their board compensation in restricted stock or restricted stock units. The restricted stock generally vests over a three-year period. As of December 31, 2008 there are 250,000 shares of common stock reserved for issuance under the Director Plan. Under the Director Plan, the compensation committee reserved a number of the Company's common stock treasury shares sufficient to cover the current obligations under the Director Plan for issuance to the board of directors in lieu of fees otherwise payable in cash. During the years ended December 31, 2008, 2007 and 2006, 628, 947 and 5,043 shares, respectively, of restricted stock and restricted stock units were granted to members of the board of directors under the Director Plan.

Restricted shares are used as an incentive to attract and retain qualified senior officers and to increase shareholder returns with actual performance-based awards based on enhanced shareholder value. The restricted plans include a change in control provision that may accelerate vesting on both the time-based and performance-based restricted shares if employment is terminated or if the individual resigns for "good reason"

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

within 12 months after the effective date of a change in control. The following is a summary of the nonvested restricted shares under all plans discussed above for the years ended December 31, 2008, 2007 and 2006:

	<u>Number of Restricted Stock Shares</u>	<u>Weighted Average Grant-Date Fair Value per Share</u>
Nonvested at January 1, 2006	1,271,474	\$ 9.01
Granted	349,521	89.29
Vested	(213,391)	(9.78)
Forfeited	<u>(68,535)</u>	(8.31)
Nonvested at December 31, 2006	1,339,069	29.87
Granted	199,159	165.27
Vested	(268,998)	(21.91)
Forfeited	<u>(32,276)</u>	(38.09)
Nonvested at December 31, 2007	1,236,954	53.19
Granted	857,265	84.80
Vested	(898,927)	(26.58)
Forfeited	<u>(30,694)</u>	(103.62)
Nonvested at December 31, 2008	<u>1,164,598</u>	95.67

Restricted stock shares granted in the table above include both time-based and performance-based grants. Performance based shares awarded in prior years have been adjusted to reflect the actual shares to be issued based on the achievement of past performance targets. Unvested performance-based restricted shares granted are presented in the table above at the maximum number of restricted shares that would vest if the maximum performance targets are met. As of December 31, 2008, there were \$34.7 million in total unrecognized compensation costs related to the time-based restricted stock and the performance-based restricted stock. These costs are expected to be recognized over a weighted average period of 2.1 years as the restricted stock vests. During the years ended December 31, 2008, 2007 and 2006, the total fair value of restricted stock vested under all restricted stock plans was \$137.6 million, \$41.0 million and \$14.5 million, respectively.

***Treasury Stock***

During the years ended December 31, 2008, 2007 and 2006, the Company received 294,854, 180,601 and 68,654 shares, respectively, of common stock from certain employees of the Company related to tax withholdings made by the Company on the employee's behalf. The Company recorded the receipt of the shares as treasury stock. The Company also issued 629,444, 404,740 and 135,370 shares of treasury stock during the years ended December 31, 2008, 2007 and 2006, respectively, under the Director Plan and the Restricted Plan. During the years ended December 31, 2008, 2007 and 2006, the Company's compensation committee reserved 628, 947 and 5,043 treasury shares, respectively, for potential issuance under the Director Plan. Treasury stock activity is presented in the accompanying consolidated statements of changes in shareholders' equity.

***Stock Repurchase Program***

On August 4, 2008, the Company announced that its board of directors authorized the repurchase of up to \$500.0 million of the Company's outstanding common stock over a twelve month period. After the completion of the Creditex acquisition, the Company repurchased 3.2 million shares of the Company's common stock at a cost of \$300.0 million on the open market through December 31, 2008 at an average price per common share of \$93.16. The shares are being held in treasury as of December 31, 2008. Additional common shares may be

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

repurchased under this authorization from time to time, with consideration given to the market price of the common shares, the nature of the Company's investment opportunities, cash flows from operations and general economic conditions. The Company expects to fund any future share repurchases with a combination of cash on hand and future cash flows from operations. The Company is not obligated to acquire any specific number of shares and may amend, suspend or terminate the repurchase program at any time.

***Redeemable Stock Put***

The Creditex stock awards assumed by the Company include 35,937 vested and unvested stock options of the Company and 1,103 unvested restricted stock of the Company, as well as 16,388 common stock shares of the Company, that are held by a Creditex employee which were covered by a put agreement. The put agreement allowed the employee, under certain circumstances, the right to require the Company to purchase the Company's common stock held by the employee for an amount equal to the fair market value of the stock at the date the put was exercised. The employee had the right to exercise the put option if the employee was employed through a certain date and upon the termination of employment. The Company initially recorded the redeemable stock put at its redemption value at the August 29, 2008 acquisition date of Creditex and has adjusted it to this redemption amount at each subsequent balance sheet date.

The redemption amount for the common stock held by this employee in excess of six months was \$1.1 million as of December 31, 2008 and is recorded as redeemable stock put in the accompanying consolidated balance sheet. The redemption amount for the common stock held by this employee less than six months and for the vested and unvested stock options and restricted stock was \$2.1 million as of December 31, 2008 and is recorded as an other current liability in the accompanying consolidated balance sheet. The adjustment to the redemption amount has been recorded directly to retained earnings for the common stock classified as temporary equity and to operating expenses for awards and stock classified as a liability.

**11. Income Taxes**

For the years ended December 31, 2008, 2007 and 2006, income before income taxes from domestic operations was \$319.6 million, \$192.3 million and \$144.2 million, respectively, and income before income taxes from foreign operations was \$153.9 million, \$166.1 million and \$68.3 million, respectively. Details of the income tax provision in the accompanying consolidated statements of income for the years ended December 31, 2008, 2007 and 2006, are as follows (in thousands):

	<u>Year Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current tax expense:			
Domestic	\$140,233	\$ 72,623	\$44,576
Foreign	<u>49,277</u>	<u>48,144</u>	<u>30,359</u>
	<u>189,510</u>	<u>120,767</u>	<u>74,935</u>
Deferred tax expense (benefit):			
Domestic	(11,609)	(4,393)	(2,370)
Foreign	<u>(5,377)</u>	<u>1,448</u>	<u>(3,290)</u>
	<u>(16,986)</u>	<u>(2,945)</u>	<u>(5,660)</u>
Total tax expense	<u>\$172,524</u>	<u>\$117,822</u>	<u>\$69,275</u>

Table of Contents

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

The tax effects of temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and their respective tax bases which give rise to deferred tax assets (liabilities) as of December 31, 2008 and 2007 are as follows (in thousands):

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Deferred tax assets:		
Deferred and stock-based compensation	\$ 10,998	\$ 7,478
Accrued expenses	12,119	9,904
Tax credits	7,130	8,446
NOL carryforward	4,209	1,888
NCDEX impairment	4,477	—
Other	<u>5,765</u>	<u>3,398</u>
Total	44,698	31,114
Valuation allowance	<u>(5,078)</u>	<u>(2,718)</u>
Total deferred tax assets, net of valuation allowance	<u>39,620</u>	<u>28,396</u>
Deferred tax liabilities:		
Property and equipment	(5,748)	(6,772)
Acquired intangibles	(213,358)	(122,642)
Other	<u>(2,429)</u>	<u>(2,813)</u>
Total deferred tax liabilities	<u>(221,535)</u>	<u>(132,227)</u>
Net deferred tax liabilities	(181,915)	(103,831)
Net current deferred tax assets	<u>7,909</u>	<u>4,908</u>
Net noncurrent deferred tax liabilities	<u>\$(189,824)</u>	<u>\$(108,739)</u>

As of December 31, 2008 and 2007, the Company has excess foreign tax credits of \$2.7 million and \$1.2 million, respectively, for tax purposes which are expected to offset future tax liabilities. As of December 31, 2008 and 2007, the Company has net operating loss carryforwards of \$16.5 million and \$13.0 million, respectively, for state and local tax purposes, which will be available to offset future taxable income. If not used, these carryforwards will begin to expire in 2026. In addition, as of December 31, 2008, the Company has a net operating loss carryforward of \$12.7 million related to Creditex's Singapore operations which is not expected to be utilized prior to expiration. The Company recognized a valuation allowance for deferred tax assets of \$5.1 million and \$2.7 million as of December 31, 2008 and 2007, respectively. The valuation allowance is due to excess state tax credits and Singapore net operating loss carryforwards that are available to offset future taxes.

A reconciliation of the statutory U.S. federal income tax rate to the Company's effective income tax rate for the years ended December 31, 2008, 2007 and 2006 is as follows:

	<u>Year Ended</u> <u>December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	3.2	2.0	1.1
Tax credits	(1.1)	(2.2)	(0.2)
Foreign tax rate differential	(2.5)	(2.3)	(3.2)
Other	<u>1.8</u>	<u>0.4</u>	<u>(0.1)</u>
Total provision for income taxes	<u>36.4%</u>	<u>32.9%</u>	<u>32.6%</u>

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

The effective tax rate for the year ended December 31, 2008 is higher than the federal statutory rate primarily due to state taxes and non-deductible expenses, which are partially offset by favorable foreign income tax rates, tax exempt interest income and tax credits. The effective tax rate for the years ended December 31, 2007 and 2006 is lower than the federal statutory rate primarily due to favorable foreign income tax rates, tax exempt interest income and tax credits, which are partially offset by state taxes and non-deductible expenses. The effective tax rate for the year ended December 31, 2008 is higher than the effective tax rate for the years ended December 31, 2007 and 2006 primarily due to an increase in the percentage of income taxable in the United States at higher statutory tax rates in 2008 and the tax benefit recognized in 2007 and 2006 under the indefinite reinvestment exception of APB Opinion No. 23, *Accounting for Income Taxes-Special Areas*.

The undistributed earnings of the Company's foreign subsidiaries that have not been remitted to the United States totaled \$363.4 million and \$209.5 million as of December 31, 2008 and 2007. These earnings are not subject to U.S. income tax until they are distributed to the United States. Historically, the Company has provided for deferred U.S. federal income taxes on these undistributed earnings in the accompanying consolidated statements of income as they were determined not to be indefinitely reinvested. However, during the year ended December 31, 2006, the Company determined in accordance with APB No. 23, that \$51.0 million of the undistributed earnings are indefinitely reinvested, primarily related to the cost method investment made during the fourth quarter of 2006 (Note 6). Also during the three months ended March 31, 2007, the Company determined that \$31.2 million of the undistributed earnings will be indefinitely reinvested, primarily relating to the cash required to establish and to fund the new European clearing house that the Company began operating in the fourth quarter of 2008. The undistributed earnings that had been indefinitely reinvested total \$82.3 million and \$51.0 million as of March 31, 2007 and December 31, 2006, respectively. During the three months ended June 30, 2007, the Company further determined that all prior undistributed earnings of its foreign subsidiaries will be indefinitely reinvested. The Company made this determination on the basis of sufficient evidence that demonstrates that it will invest the undistributed earnings overseas indefinitely. Under APB Opinion No. 23, when it becomes apparent that some or all of the undistributed earnings of a foreign subsidiary on which income taxes have been accrued in the past will not be remitted in the foreseeable future, then the parent company should adjust income tax expense of the current period to reflect this change. The Company reduced tax expense by \$3.6 million and \$4.8 million for the years ended December 31, 2007 and 2006, respectively, to reflect the decision to indefinitely reinvest these prior undistributed earnings. Determination of the amount of unrecognized deferred U.S. income tax liability on the undistributed earnings of the Company's foreign subsidiaries is not practical.

## Table of Contents

### IntercontinentalExchange, Inc. and Subsidiaries Notes to Consolidated Financial Statements — (Continued)

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at January 1, 2007	\$13,173
Additions based on tax positions related to current year	2,570
Additions based on tax positions in prior years	1,659
Reductions based on tax positions related to current year	(3,365)
Reductions based on tax positions of prior years	(80)
Reductions resulting from statute of limitation lapses	(1,894)
Settlements	<u>(100)</u>
Balance at December 31, 2007	11,963
Additions related to acquisitions	5,217
Additions based on tax positions related to current year	1,409
Additions based on tax positions in prior years	117
Reductions based on tax positions related to current year	(370)
Reductions based on tax positions of prior years	(2,473)
Reductions resulting from statute of limitation lapses	<u>(193)</u>
Balance at December 31, 2008	<u>\$15,670</u>

As of the adoption date of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109*, on January 1, 2007, the Company had unrecognized tax benefits of \$13.2 million of which \$5.0 million, if recognized, would affect the effective tax rate. The Company recorded an increase to unrecognized tax benefits of \$3.7 million and a decrease of \$1.2 million as of December 31, 2008 and 2007, respectively, of which approximately \$915,000 and \$2.4 million increased income tax expense for the years ended December 31, 2008 and 2007, respectively. As of December 31, 2008, the Company had unrecognized tax benefits of \$15.7 million, of which \$7.4 million, if recognized, would affect the effective tax rate. As of December 31, 2007, the Company had unrecognized tax benefits of \$12.0 million, of which \$4.6 million, if recognized, would affect the effective tax rate. The Company recognizes interest accrued related to income tax uncertainties as a component of interest expense. Any related penalties, if incurred, would be included in selling, general and administrative expenses. Interest expense related to the unrecognized tax benefits totaled \$727,000 and \$478,000 for the years ended December 31, 2008 and 2007, respectively. Accrued interest and penalties were \$3.6 million and \$1.9 million as of December 31, 2008 and 2007, respectively.

The Company currently anticipates the amount of unrecognized tax benefits to decrease by \$4.6 million by December 31, 2009. The unrecognized tax benefit, related to research and development and investment tax credits claimed, settlement payments and the classification of income, would decrease due to the closing of the related statute of limitations of the jurisdiction where reported and the filing of tax returns. The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state, local or foreign examinations by tax authorities for years before 2005.

#### 12. Related-Parties

Related-parties include principal owners of the Company and other parties that control or can significantly influence the management or operating policies of the Company. Principal owners include any party that owns more than 10% of the voting interest in or common stock of the Company. The Company previously had two shareholders who held more than 10% of the common stock of the Company and who were considered to be

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

related-parties. In connection with the Company's secondary offering of common stock on July 21, 2006, the voting interest of the two shareholders of the Company who previously held more than 10% of the common stock of the Company fell below the 10% threshold. Therefore, beginning on July 21, 2006, these two shareholders are no longer considered related-parties for disclosure purposes. The Company has also classified all companies that had board of director participation as a related-party due to their significant influence over the Company. Prior to March 18, 2008, the Company licensed its technology to an entity whose founder and Chief Executive Officer was also a member of the Company's board of directors. On March 18, 2008, this director resigned from the Company's board and this company is no longer considered to be a related party and the Company no longer has any related party transactions. Revenues earned from related-parties of the Company totaled \$680,000, \$1.7 million and \$16.1 million for the years ended December 31, 2008, 2007 and 2006, respectively.

**13. Unearned Government Grant**

In November 2002, ICE Futures U.S. entered into a ten-year agreement with the New York State Urban Development Corporation d/b/a Empire State Development Corporation ("ESDC"). As a result of the terrorist attacks on the World Trade Center on September 11, 2001, the ESDC, in cooperation with the New York City Economic Development Corporation d/b/a New York City Industrial Development Agency, determined that ICE Futures U.S. was eligible for assistance under the World Trade Center Job Creation and Retention Program. In November 2002, ICE Futures U.S. received a cash grant of \$23.3 million for fixed asset investment. This agreement requires ICE Futures U.S. to maintain certain annual employment levels in a certain geographic area of New York City and the grant is subject to recapture amounts on a declining scale over a ten year term if ICE Futures U.S. employment levels fall below the minimum level. The grant is recognized in the income statement ratably in accordance with the ten-year recapture schedule as a credit to depreciation and amortization expense. As of December 31, 2008, the potential recapture amount decreased to \$8.7 million and was scheduled to decrease by \$1.7 million at the end of each fiscal year for the next five years. However, the Company has calculated that as of December 31, 2008, the ICE Futures U.S. annual employment levels have fallen below the minimum level required per the agreement and it will be required to pay the recapture amount. Accordingly, the full amount of the unamortized grant proceeds of \$8.7 million is classified as a current liability in the accompanying consolidated balance sheet as of December 31, 2008 and this amount was paid in January 2009.

**14. Clearing Organizations**

ICE Clear U.S. performs the clearing and settlement of every futures and options contract traded through ICE Futures U.S., ICE Clear Canada performs the same function for every futures and options contract traded through ICE Futures Canada and ICE Clear Europe performs the same function for every futures and options contract traded through ICE Futures Europe and for all of the Company's cleared OTC energy products. ICE Clear Europe began clearing contracts in November 2008 upon the transition of clearing from LCH.Clearnet Ltd. ICE Clear U.S., ICE Clear Europe and ICE Clear Canada are referred to herein collectively as the "ICE Clearing Houses".

Each of the ICE Clearing Houses has equal and offsetting claims to and from their respective clearing members on opposite sides of each contract, standing as the central financial counterparty on every contract cleared. To the extent that funds are not otherwise available to satisfy an obligation under an applicable contract, each ICE Clearing House bears financial counterparty credit risk in the event that future market movements create conditions that could lead to its clearing members failing to meet their obligations to that ICE Clearing House. Accordingly, the ICE Clearing Houses account for this central counterparty guarantee as a performance guarantee under FIN 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* in an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB interpretation No. 34 ("FIN 45"). Given that each contract is settled on at least a

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

daily basis for each clearing member, the ICE Clearing Houses' maximum exposure for this guarantee is approximately \$22 billion as of December 31, 2008, which represents the maximum estimated value by the ICE Clearing Houses of a one to two day movement in pricing of the underlying unsettled contracts. This amount is based on calculations determined using proprietary software that simulates gains and losses based on historical market prices, volatility and other factors present at that point in time for those particular unsettled contracts. Future actual market price volatility could result in the exposure being significantly different than the amount estimated by the ICE Clearing Houses. The net notional value of the unsettled contracts was approximately \$64 billion as of December 31, 2008.

The Company performed calculations to determine the fair value of a FIN 45 liability as of December 31, 2008 taking into consideration factors such as daily settlement of contracts, margining requirements, other elements of the Company's risk management program, historical evidence of default payments, and estimated probability of potential default payouts by the ICE Clearing Houses. Based on these analyses, the estimated FIN 45 liability was determined to be nominal and no liability was recorded as of December 31, 2008.

The ICE Clearing Houses reduce their exposure through a risk management program that includes initial and ongoing financial standards for admission as a clearing member, original and variation margin requirements and mandatory deposits to a guaranty fund. The standardized amounts that the clearing members are required to maintain in the original margin and Guaranty Fund accounts are determined by parameters established by the margin committees, risk management departments and the boards of directors of each of the ICE Clearing Houses and may fluctuate over time. The ICE Clearing Houses also have powers of assessment that provide the ability to collect additional funds from their clearing members to cover a defaulting member's remaining obligations. ICE Clear Europe has also set up \$100 million of insurance in the event of a clearing member default and this would be called upon prior to any member assessment.

Each of the ICE Clearing Houses requires all clearing members to maintain on deposit or through pledge with it cash, money market mutual fund shares, Government obligations or letters of credit to secure payment of variation margin as may become due from the clearing members, and such amounts in total are known as original margin. The daily payment of profits and losses from and to the ICE Clearing Houses in respect of relevant contracts are known as variation margin. ICE Clear U.S. marks all outstanding futures contracts to market at least twice daily and pays and collects option premiums daily. ICE Clear Europe and ICE Clear Canada mark all outstanding positions to market at least once per day.

Each of the ICE Clearing Houses requires that each clearing member make deposits in a fund known as a guaranty or clearing fund ("Guaranty Fund"), which is maintained by the relevant ICE Clearing House. These amounts serve to secure the obligations of a clearing member to the ICE Clearing House to which it has made the Guaranty Fund deposits and may be used to cover losses sustained by the respective ICE Clearing House in the event of a default of a clearing member. For ICE Clear U.S. and ICE Clear Canada, all income earned from investing clearing members' cash deposits in the Guaranty Fund, and for ICE Clear U.S., all income earned from the cash variation margin deposits, belongs to the respective ICE Clearing House and is included in interest income in the accompanying consolidated statements of income and all other interest earned on the cash margin deposits belong to the clearing members. ICE Clear Europe has agreed to pay clearing members all interest earned on their cash margin deposits plus an additional 115 basis points on cash deposits made to the Guaranty Fund and an additional 10 basis points for cash deposits made for original margin requirements. These additional basis points amounts paid to the clearing members are recorded net against revenue in the accompanying consolidated statement of income for the year ended December 31, 2008.

Should a particular clearing member fail to deposit original margin, or to make a variation margin payment, when and as required, the relevant ICE Clearing House may liquidate the clearing member's open positions and use the clearing member's original margin and Guaranty Fund deposits to make up the amount owed. In the event that those deposits are not sufficient to pay that owed amount in full, ICE Clear U.S. and ICE Clear Canada may utilize the Guaranty Fund deposits of all clearing members pro rata for that purpose.

## Table of Contents

### IntercontinentalExchange, Inc. and Subsidiaries

#### Notes to Consolidated Financial Statements — (Continued)

For ICE Clear Europe, once a clearing member's deposits are depleted and a default occurs, a \$100.0 million contribution made by the Company to ICE Clear Europe would be utilized. The \$100.0 million is solely available in the event of an ICE Clear Europe clearing member default and \$50.0 million of the \$100.0 million will be utilized after the available funds of the defaulting member but before all other amounts within the Guaranty Fund. If additional cash is required to settle positions, then the remaining \$50.0 million will be called pro-rata along with other non-defaulting ICE Clear Europe clearing members' deposits in the Guaranty Fund. Additionally, for ICE Clear Europe, if all Guaranty Fund amounts are depleted, proceeds from the Company's \$100.0 million insurance policy would be utilized. In addition, the relevant ICE Clearing House may assess its clearing members to meet any remaining shortfall. As of December 31, 2008, original margin, unsettled variation margin and Guaranty Fund cash deposits are as follows for ICE Clear U.S., ICE Clear Europe and ICE Clear Canada (in thousands):

	<u>ICE Clear U.S.</u>	<u>ICE Clear Europe</u>	<u>ICE Clear Canada</u>	<u>Total</u>
Original margin	\$ 1,815,532	\$ 9,872,269	\$ 11,023	\$ 11,698,824
Variation margin	11,325	—	—	11,325
Guaranty Fund	22,914	381,877	2,880	407,671
Total	<u>\$ 1,849,771</u>	<u>\$ 10,254,146</u>	<u>\$ 13,903</u>	<u>\$ 12,117,820</u>

As of December 31, 2007, original margin, unsettled variation margin and Guaranty Fund cash deposits are as follows for ICE Clear U.S. and ICE Clear Canada (in thousands):

	<u>ICE Clear U.S.</u>	<u>ICE Clear Canada</u>	<u>Total</u>
Original margin	\$ 774,593	\$ 6,936	\$781,529
Variation margin	7,895	—	7,895
Guaranty Fund	1,768	860	2,628
Total	<u>\$ 784,256</u>	<u>\$ 7,796</u>	<u>\$792,052</u>

The Company has recorded these cash deposits in the accompanying consolidated balance sheets as current assets with offsetting current liabilities to the clearing members of the relevant ICE Clearing House. All cash, securities and letters of credit are only available to meet the financial obligations of that clearing firm to the relevant ICE Clearing House. ICE Clear U.S., ICE Clear Europe and ICE Clear Canada are separate legal entities and are not subject to the liabilities of the other ICE Clearing Houses or the obligations of the members of the other ICE Clearing Houses. These cash deposits may fluctuate due to the types of margin collateral choices available to clearing members and the change in the amount of deposits required. As a result, these assets and offsetting liabilities may vary significantly over time.

The ICE Clearing Houses have credit risk for maintaining the cash deposits at various financial institutions. The deposits at times may be in excess of federally insured limits. The ICE Clearing Houses monitor the cash deposits and mitigate credit risk by keeping such deposits in several financial institutions. If the cash deposits decrease in value, the ICE Clearing Houses would be liable for the losses. The ICE Clearing Houses have not experienced losses related to these cash deposits.

The total ICE Clear Europe Guaranty Fund balance as of December 31, 2008 is \$482.9 million. This includes the \$382.9 million in Guaranty Fund deposits from clearing members as well as \$100.0 million that ICE Clear Europe has committed of its own cash. As discussed in Note 4, the \$100.0 million is reflected in restricted cash in the accompanying consolidated balance sheet as of December 31, 2008.

In addition to the cash deposits for original margin, variation margin, and Guaranty Fund made to the relevant ICE Clearing House, clearing members also pledge assets, including Government obligations, money market mutual funds and letters of credit to the relevant ICE Clearing House to mitigate its credit risk. These

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

assets are held in safekeeping and any interest and gain or loss for ICE Clear U.S. and ICE Clear Canada accrues to the clearing member. However, ICE Clear Europe has agreed to pay clearing members all interest earned on their non-cash margin deposits plus an additional 50 basis points on non-cash deposits made to the Guaranty Fund and ICE Clear Europe will charge clearing members 5 basis points for non-cash deposits made for original margin requirements. These additional basis points amounts paid to the clearing members are recorded net against revenue in the accompanying consolidated statement of income for the year ended December 31, 2008. These assets are not reflected in the accompanying consolidated balance sheet as the ICE Clearing Houses do not take legal ownership of the assets as the risks and rewards remain with the clearing members. The ICE Clearing Houses have the ability to access the accounts where these assets are held at the financial institutions and depositories in the event of a clearing member default.

As of December 31, 2008, the U.S. Government obligations and money market mutual funds pledged by the clearing members as original margin and Guaranty Fund deposits for ICE Clear U.S. are detailed below (in thousands):

	<u>U.S. Government Securities at Face Value</u>	<u>Money Market Mutual Fund</u>
Original margin	\$8,238,542	\$ 580,906
Guaranty Fund	137,596	24,622
Total	<u>\$8,376,138</u>	<u>\$ 605,528</u>

As of December 31, 2008, the Government obligations pledged by the clearing members as original margin and Guaranty Fund deposits for ICE Clear Europe are detailed below (in thousands):

	<u>Government Securities at Face Value</u>	<u>Letters of Credit</u>
Original margin	\$4,803,718	\$1,270,000
Guaranty Fund	1,000	—
Total	<u>\$4,804,718</u>	<u>\$1,270,000</u>

As of December 31, 2008, the Canadian Government obligations and letters of credit pledged by the clearing members as original margin and Guaranty Fund deposits for ICE Clear Canada are detailed below (in thousands):

	<u>Canadian Government Securities at Face Value</u>	<u>Letters of Credit</u>
Original margin	\$ 55,842	\$ 5,311
Guaranty Fund	22,611	—
Total	<u>\$ 78,453</u>	<u>\$ 5,311</u>

Table of Contents

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

As of December 31, 2007, the U.S. Government obligations and money market mutual funds pledged by the clearing members as original margin and Guaranty Fund deposits for ICE Clear U.S. are detailed below (in thousands):

	<b>U.S. Government Securities at Face Value</b>	<b>Money Market Mutual Fund</b>
Original margin	\$3,139,010	\$ 834,310
Guaranty Fund	94,443	—
<b>Total</b>	<b><u>\$3,233,453</u></b>	<b><u>\$ 834,310</u></b>

As of December 31, 2007, the Canadian Government obligations and letters of credit pledged by the clearing members as original margin and Guaranty Fund deposits for ICE Clear Canada are detailed below (in thousands):

	<b>Canadian Government Securities at Face Value</b>	<b>Letters of Credit</b>
Original margin	\$ 40,897	\$18,925
Guaranty Fund	17,751	—
<b>Total</b>	<b><u>\$ 58,648</u></b>	<b><u>\$18,925</u></b>

ICE Clear U.S. and the Options Clearing Corporation (“OCC”) have entered into a cross-margin agreement, whereby a common clearing firm, or a pair of affiliated clearing firms, may maintain a cross-margin account in which positions in certain of ICE Clear U.S.’s futures and options are combined with certain positions cleared by OCC for purposes of calculating margin requirements of the clearing firms. The margin deposits are held jointly by ICE Clear U.S. and OCC. Cross-margin cash, securities and letters of credit jointly held with OCC under the cross-margin agreement are reflected at 50% of the total, or ICE Clear U.S.’s proportionate share, in accordance with the agreement. As of December 31, 2008, the margin deposits in the joint account were \$167.0 million of which \$83.5 million is ICE Clear U.S.’s proportionate share and the entire \$83.5 million is reflected in the pledged asset margin balances above. Clearing firms maintain separate margin requirements with each clearing house. Depending on the impact resulting from offsetting positions between ICE Clear U.S. and OCC, each clearing house may reduce that firm’s margin requirements. Cross margin deposits are held in a joint custody account controlled by ICE Clear U.S. and OCC. If a participating firm defaults, the gain or loss on the liquidation of the firm’s open position and the proceeds from the liquidation of the cross-margin account will be split 50% each to ICE Clear U.S. and OCC. The cross-margining arrangement reduces capital costs for clearing firms and eligible customers. The agreement permits a participating clearing house to recognize a clearing firm’s open positions at another participating clearing house, and clearing firms are able to offset risks of positions held at one clearing house against those held at another participating clearing house, with respect to particular accounts.

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

**15. Commitments and Contingencies***Leases*

The Company leases office space, equipment facilities, and certain computer equipment. As of December 31, 2008, future minimum lease payments under these noncancelable operating agreements are as follows (in thousands):

2009	\$15,525
2010	14,345
2011	14,198
2012	12,709
2013	9,529
Thereafter	<u>5,500</u>
	<u>\$71,806</u>

The Company had capital lease obligations of \$3.7 million as of December 31, 2008 and no capital lease obligations as of December 31, 2007. The amortization of assets recorded under capital leases is included in depreciation expense in the accompanying consolidated statements of income and totaled \$176,000 for the year ended December 31, 2008. Rental expense amounted to \$13.9 million, \$11.8 million and \$4.0 million for the years ended December 31, 2008, 2007 and 2006, respectively.

*Russell Licensing Agreement*

On June 15, 2007, the Company entered into an exclusive licensing agreement (the "Licensing Agreement") with the Frank Russell Company ("Russell") to offer futures and options on futures contracts based on the full range of Russell's benchmark U.S. equity indexes. Due to the wind-down provisions of other Russell licensing contracts, during the first year of the Licensing Agreement, the Company offered the Russell contracts on a non-exclusive basis. These rights became exclusive on September 19, 2008, and subject to achieving specified trading volumes, will remain exclusive throughout the remainder of the Licensing Agreement, which extends through June 2014. Beginning three years after the effective date of the Licensing Agreement, the Company will be required to maintain a minimum level of average trading volume per quarter to preserve the exclusive rights granted to it under the Licensing Agreement.

In exchange for the license rights, the Company paid Russell \$50.0 million in July 2007 and will also make annual royalty payments based on the annual contract trade volumes, subject to certain minimum annual royalty payments. The Company has recorded the license rights as intangible assets, which were valued based on the net present value of all minimum annual royalty payments that the Company is required to make to Russell throughout the term of the agreement. As of December 31, 2008 and 2007, the net assets related to the Licensing Agreement are \$142.5 million and \$149.7 million, respectively, and are included in other intangible assets in the accompanying consolidated balance sheets. The intangible assets are being amortized based on the Company's valuations of the non-exclusive and the exclusive elements of the Licensing Agreement. For the years ended December 31, 2008 and 2007, amortization expense related to the Licensing Agreement was \$7.2 million and \$83,000, respectively, which reflects amortization on the non-exclusive and exclusive portions of the intangible assets. The exclusive period commenced on September 19, 2008 as noted above.

Because the Company is required to make minimum annual royalty payments in order to maintain the Russell license rights, the Company has also recorded a liability based on the net present value of the total required minimum royalty payments as of the effective date of the Licensing Agreement. As of December 31, 2008, the current and noncurrent liabilities relating to the minimum annual royalty payments under the Licensing Agreement are \$12.7 million and \$83.0 million, respectively, and are reflected as licensing agreement liabilities in the accompanying consolidated balance sheet. As of December 31, 2007, the current

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

and noncurrent liabilities relating to the minimum annual royalty payments of the Licensing Agreement are \$10.6 million and \$89.6 million, respectively. The difference between the present value of the payments and the actual payments is recorded as interest expense using the effective interest method over the term of the Licensing Agreement. For the year ended December 31, 2008 and 2007, interest expense related to the Licensing Agreement was \$6.0 million and \$3.1 million, respectively.

***Patent Licensing Agreement***

In 2002, the Company entered into a long-term, non-exclusive licensing agreement with eSpeed, Inc. (“eSpeed”), which granted the use of eSpeed’s patent to the Company and its majority-owned and controlled affiliates. Under the agreement, the Company was required to pay minimum annual license fees of \$2.0 million beginning in April 2002 through the expiration date of the patent in February 2007 along with additional royalty payments calculated quarterly based upon the volume of certain futures transactions executed on the electronic platform. The Company recorded amortization expense of \$283,000 and \$2.2 million during the years ended December 31, 2007 and 2006 respectively, relating to the licensing agreement. The Company paid royalty payments of \$1.7 million and \$9.0 million during the years ended December 31, 2007 and 2006, respectively, which were recorded as patent royalty expenses in the accompanying consolidated statements of income. The licensing agreement and related patent expired in February 2007 and no future payments are required.

***Employment Agreements***

The Company has entered into employment agreements with all of its corporate officers. If the corporate officers are terminated without cause, the employment agreements result in separation payments ranging from six months to three years of the corporate officer’s annual base salary. In some cases, the employment agreements also stipulate an additional payment for bonus compensation for the balance of the term of the employment agreement. Also, certain employment agreements have provisions that provide for termination payments following a change of control and corresponding loss of employment, which generally provide for base salary, bonus payment, benefits continuation for the full term of the employment agreement (ranging from one to three years), gross up payment for any excise taxes due under Section 4999 of the Internal Revenue Code of 1986 and the acceleration of vesting of any stock options granted after the execution of the employment agreements. The Company’s U.K. subsidiaries, in accordance with normal U.K. practice, have entered into employment agreements with all of its employees. The employment agreements require a severance notice ranging from one to six months.

***Legal Proceedings***

On April 6, 2007, the Supreme Court of the State of New York, County of New York, granted ICE Futures U.S.’s motion to dismiss all claims brought against it in an action commenced on December 8, 2006 by certain holders of non-equity trading permits (“Permit Holders”) of ICE Futures U.S. The plaintiffs alleged that, in violation of purported contract rights and/or rights under New York’s Not-For-Profit Corporation Law, ICE Futures U.S. had not allowed its Permit Holders, including plaintiffs, to vote on the merger pursuant to which the Company acquired ICE Futures U.S. and had improperly denied the Permit Holders a portion of the merger consideration. Plaintiffs sought (i) to enjoin consummation of the merger, (ii) declaratory relief regarding their past and future rights as Permit Holders, and (iii) an award of unspecified damages on claims for breach of fiduciary duty, breach of contract, unjust enrichment, estoppel and fraud. In addition to dismissing its claims, the court also denied the plaintiffs’ motion for a preliminary injunction. On February 4, 2008, the Permit Holders appealed the lower court’s ruling dismissing their complaint but did not pursue an appeal of the lower court’s denial of their request for an order enjoining the merger. The appeal was denied in its entirety by the appellate court in a decision issued on June 24, 2008. On October 7, 2008, a motion by the Permit Holders for leave to appeal to the New York Court of Appeals was denied by the Appellate Division.

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

Thereafter, a motion by the Permit Holders for leave to appeal directly to the New York Court of Appeals was denied on January 20, 2009 by the Court of Appeals.

The Company is subject to legal proceedings and claims that arise in the ordinary course of business. However, the Company does not believe that the resolution of these matters, including those specifically discussed above, will have a material adverse effect on the Company's consolidated financial condition, results of operations, or liquidity. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially and adversely affected by any new developments relating to the legal proceedings and claims.

**16. Employee Benefit Plans**

The Company's U.K.-based subsidiaries have a defined contribution pension plan for eligible employees. The Company contributes a percentage of the employee's base salary to the plan each month and employees are also able to make additional voluntary contributions, subject to plan and statutory limits. The Company's contribution ranges from 10% to 20% of the employee's base salary. Total pension contributions made by the Company for the years ended December 31, 2008, 2007 and 2006 were \$1.0 million, \$982,000 and \$832,000, respectively.

The Company's ICE Futures U.S. employees are eligible to participate in ICE Futures U.S.'s 401(k) and Profit Sharing Plan (the "NY 401(k) Plan"). The Company offers a match of 50% of the first 4% of the eligible employee's compensation contributed to the NY 401(k) Plan, subject to plan and statutory limits, and an annual discretionary contribution. Total matching contributions and discretionary contributions under the NY 401(k) Plan for the years ended December 31, 2008 and 2007 was \$1.5 million and \$1.6 million, respectively. This plan was frozen to new contributions effective December 31, 2008.

The Company's Creditex employees are eligible to participate in The Creditex Group Inc. 401(k) Plan. There were no contributions to this plan during the year ended December 31, 2008. This plan was frozen to new contributions effective December 31, 2008.

The remaining employees of the Company's U.S. operations are eligible to participate in the Company's 401(k) and Profit Sharing Plan (the "401(k) Plan"). The Company offers a match of 100% of the first 5% of the eligible employee's compensation contributed to the 401(k) Plan, subject to plan and statutory limits. Total matching contributions under the Company's 401(k) Plan for the years ended December 31, 2008, 2007 and 2006 were \$1.4 million, \$1.1 million and \$860,000, respectively. No discretionary or profit sharing contributions were made during the years ended December 31, 2008, 2007 or 2006.

**17. CBOT Merger-Related Transaction Costs**

The Company incurred incremental direct merger-related transaction costs of \$11.1 million during the year ended December 31, 2007 relating to the proposed merger with CBOT Holdings, Inc. ("CBOT"). Ultimately, CBOT's board of directors did not accept the Company's proposal to merge with CBOT, and instead accepted an improved proposal from the Chicago Mercantile Exchange Holdings, Inc. ("CME"), which resulted in a completed transaction between CME and CBOT on July 13, 2007. The \$11.1 million in merger-related transaction costs included investment banking advisors, legal, accounting, proxy advisor, public relation services and other external costs directly related to the proposed transaction. These costs have been recorded as CBOT merger-related transaction costs in the accompanying consolidated statements of income for the year ended December 31, 2007.

**18. Segment Reporting**

As of December 31, 2008 and 2007 and for the years ended December 31, 2008, 2007 and 2006, the Company's principal business segments consist of its OTC business segment, its futures business segment and

Table of Contents

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

its market data business segment. The operations of ICE Futures Europe, ICE Futures U.S. and ICE Futures Canada make up the futures business segment and the operations of ICE Data make up the market data business segment. The remaining companies, including the acquisitions of Creditex, YellowJacket, ChemConnect, Chatham and Commoditrack, have been included in the OTC business segment as they primarily support the Company's OTC business operations.

Intersegment revenues and transactions attributable to the performance of services are recorded at cost plus an agreed market percentage intercompany profit. Intersegment revenues attributable to licensing transactions have been priced in accordance with comparable third party agreements. The accounting policies of the business segments are the same as those described in the summary of significant accounting policies. Financial data for the Company's business segments and geographic areas are as follows:

	<u>OTC Business Segment</u>	<u>Futures Business Segment</u>	<u>Market Data Business Segment</u>	<u>Total</u>
	(In thousands)			
Year ended December 31, 2008:				
Revenues from external customers	\$ 396,351	\$ 362,194	\$54,533	\$ 813,078
Intersegment revenues	41,199	5,746	33,432	80,377
Depreciation and amortization	48,651	13,472	124	62,247
Interest and investment income	2,828	8,045	663	11,536
Interest expense	13,219	6,354	—	19,573
Income tax expense	61,622	84,017	26,885	172,524
Net income	92,879	156,343	51,750	300,972
Total assets	2,307,685	12,633,541	18,355	14,959,581
Capital expenditures and software development costs	35,473	13,121	218	48,812
Goodwill and other intangibles, net	2,021,201	142,470	—	2,163,671
Net cash provided by operating activities	176,445	110,182	88,485	375,112

**Geographic areas:**

	<u>United States</u>	<u>European Union and Canada</u>	<u>Total</u>
	(In thousands)		
Year ended December 31, 2008:			
Revenues	\$ 565,028	\$248,050	\$ 813,078
As of December 31, 2008:			
Property and equipment, net	74,488	14,464	88,952
Goodwill and other intangibles, net	2,163,671	—	2,163,671

Table of Contents

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

Revenues from three clearing members of the futures business segment comprised 17.0%, 13.1% and 10.4% of the Company's futures revenues for the year ended December 31, 2008. These clearing members are primarily intermediaries and represent a broad range of principal trading firms. If a clearing member ceased its operations, the Company believes that the trading firms would continue to conduct transactions and would clear those transactions through a different clearing member. No additional customers accounted for more than 10% of the Company's segment revenues or consolidated revenues during the year ended December 31, 2008.

	<u>OTC Business Segment</u>	<u>Futures Business Segment</u>	<u>Market Data Business Segment</u>	<u>Total</u>
	(In thousands)			
Year ended December 31, 2007:				
Revenues from external customers	\$ 241,803	\$ 289,333	\$43,157	\$ 574,293
Intersegment revenues	32,311	3,754	19,079	55,144
Depreciation and amortization	26,286	6,386	29	32,701
Interest and investment income	5,589	5,747	529	11,865
Interest expense	15,658	2,983	—	18,641
Income tax expense	33,907	64,005	19,910	117,822
Net income	79,199	126,024	35,389	240,612
Total assets	1,654,133	1,122,279	19,933	2,796,345
Capital expenditures and software development costs	38,044	5,051	171	43,266
Goodwill and other intangibles, net	1,397,696	149,713	—	1,547,409
Net cash provided by operating activities	115,541	120,249	51,991	287,781

**Geographic areas:**

	<u>United States</u>	<u>European Union and Canada</u>	<u>Total</u>
	(In thousands)		
Year ended December 31, 2007:			
Revenues	\$ 376,012	\$198,281	\$ 574,293
As of December 31, 2007:			
Property and equipment, net	60,874	2,650	63,524
Goodwill and other intangibles, net	1,547,409	—	1,547,409

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

Revenues from one clearing member of the futures business segment comprised 11.5% of the Company's futures revenues for the year ended December 31, 2007. This clearing member is primarily an intermediary and represents a broad range of principal trading firms. If a clearing member ceased its operations, the Company believes that the trading firms would continue to conduct transactions and would clear those transactions through a different clearing member. No additional customers accounted for more than 10% of the Company's segment revenues or consolidated revenues during the year ended December 31, 2007.

	<u>OTC Business Segment</u>	<u>Futures Business Segment</u>	<u>Market Data Business Segment</u>	<u>Total</u>
	(In thousands)			
Year ended December 31, 2006:				
Revenues from external customers	\$168,743	\$127,024	\$18,032	\$313,799
Intersegment revenues	26,704	4,404	11,123	42,231
Depreciation and amortization	11,671	2,031	12	13,714
Interest and investment income	6,067	2,402	96	8,565
Interest expense	231	—	—	231
Income tax expense	33,858	28,089	7,328	69,275
Net income	77,494	52,164	13,610	143,268
Total assets	414,193	71,972	7,046	493,211
Capital expenditures and software development costs	18,068	1,678	69	19,815
Goodwill and other intangibles, net	81,126	—	—	81,126
Net cash provided by operating activities	68,884	64,730	17,075	150,689

**Geographic areas:**

	<u>United States</u>	<u>European Union</u>	<u>Total</u>
	(In thousands)		
Year ended December 31, 2006:			
Revenues	\$ 178,100	\$135,699	\$313,799
As of December 31, 2006:			
Property and equipment, net	21,820	4,460	26,280
Goodwill and other intangibles, net	81,126	—	81,126

Revenues from two clearing members of the futures business segment comprised 15.4% and 12.1% of the Company's futures revenues for the year ended December 31, 2006. These clearing members are primarily intermediaries and represent a broad range of principal trading firms. If a clearing member ceased its operations, the Company believes that the trading firms would continue to conduct transactions and would clear those transactions through a different clearing member. No additional customers accounted for more than 10% of the Company's segment revenues or consolidated revenues during the year ended December 31, 2006.

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

**19. Earnings Per Common Share**

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per common share computations for the years ended December 31, 2008, 2007 and 2006 (in thousands, except per share amounts):

	<u>Years Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Basic:			
Net income	<u>\$300,972</u>	<u>\$240,612</u>	<u>\$143,268</u>
Weighted average common shares outstanding	<u>71,184</u>	<u>68,985</u>	<u>56,474</u>
Basic earnings per common share	<u>\$ 4.23</u>	<u>\$ 3.49</u>	<u>\$ 2.54</u>
Diluted:			
Weighted average common shares outstanding	71,184	68,985	56,474
Effect of dilutive securities:			
Stock options and restricted stock	<u>980</u>	<u>1,995</u>	<u>3,125</u>
Diluted weighted average common shares outstanding	<u>72,164</u>	<u>70,980</u>	<u>59,599</u>
Diluted earnings per common share	<u>\$ 4.17</u>	<u>\$ 3.39</u>	<u>\$ 2.40</u>

Basic earnings per common share is calculated using the weighted average common shares outstanding during the period. Common equivalent shares from stock options and restricted stock awards, using the treasury stock method, are also included in the diluted per share calculations unless their effect of inclusion would be antidilutive. During the years ended December 31, 2008 and 2007, 605,000 and 37,000 outstanding stock options, respectively, were not included in the computation of diluted earnings per common share, because to do so would have had an antidilutive effect because the outstanding stock option exercise prices were greater than the average market price of the common shares during the relevant periods.

**IntercontinentalExchange, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements — (Continued)**

**20. Quarterly Financial Data (Unaudited)**

The following table has been prepared from the financial records of the Company, and reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim periods presented (in thousands, except per share amounts):

	<u>1<sup>st</sup> Qtr(a)</u>	<u>2<sup>nd</sup> Qtr(b)</u>	<u>3<sup>rd</sup> Qtr</u>	<u>4<sup>th</sup> Qtr(c)</u>
<b>Year Ended December 31, 2008</b>				
Revenues	\$207,214	\$197,160	\$201,444	\$207,260
Operating income	144,280	132,785	119,142	97,327
Net income	92,290	84,864	74,963	48,855
Earnings per common share(d):				
Basic	\$ 1.31	\$ 1.20	\$ 1.05	\$ 0.68
Diluted	\$ 1.29	\$ 1.19	\$ 1.04	\$ 0.67
<b>Year Ended December 31, 2007</b>				
Revenues	\$126,608	\$136,654	\$151,735	\$159,296
Operating income	79,643	76,529	100,864	96,527
Net income	55,586	53,693	66,681	64,652
Earnings per common share(d):				
Basic	\$ 0.82	\$ 0.78	\$ 0.96	\$ 0.93
Diluted	\$ 0.80	\$ 0.75	\$ 0.93	\$ 0.90

(a) The Company recognized a net gain on disposal of an asset of \$9.3 million during the first quarter of 2007 (Note 7).

(b) The Company recognized \$11.1 million in CBOT merger-related transaction costs during the second quarter of 2007 (Note 17).

(c) The Company recognized an impairment loss on the NCDEX cost method investment of \$15.7 million during the fourth quarter of 2008 (Note 6).

(d) The annual earnings per common share may not equal the sum of the individual quarter's earnings per common share due to rounding.