

NIRI/FEI Seattle

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NASDAQ OMX Economic & Statistical Research

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Economic & Statistical Research

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NASDAQ OMXSM

Agenda

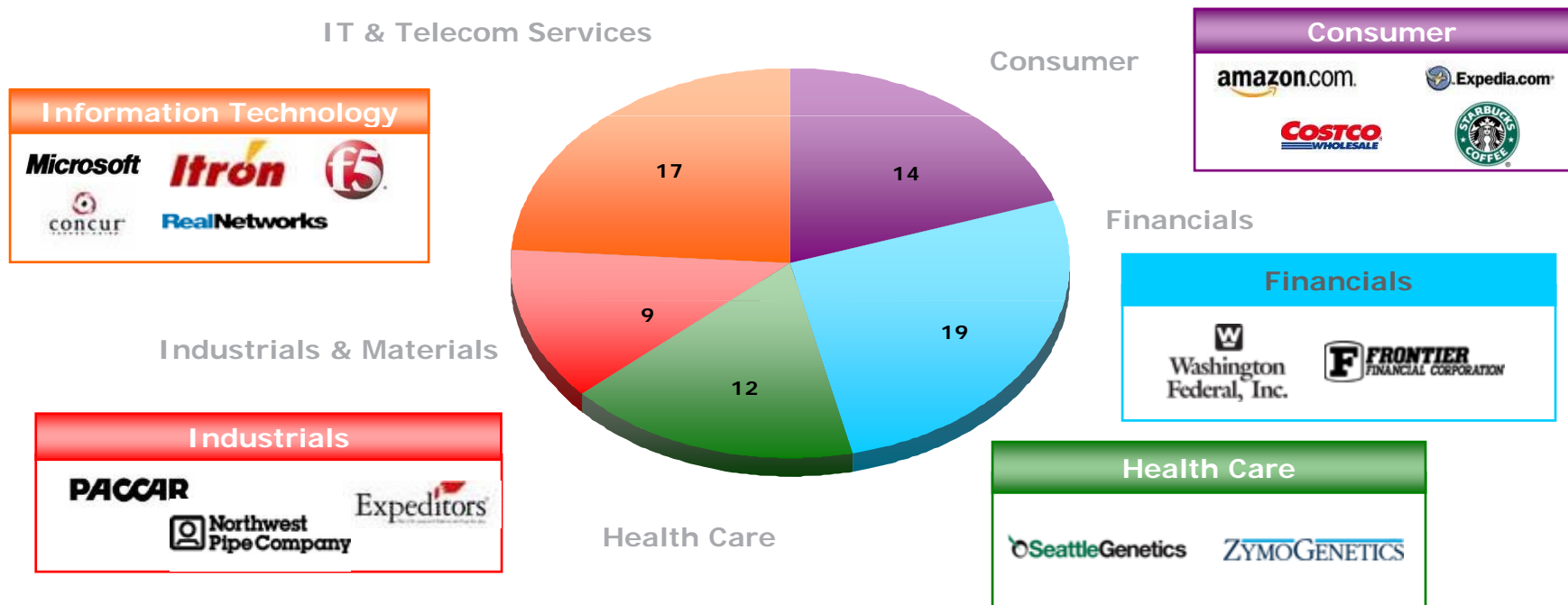
- Washington public companies
- The uncertain state of the economy
- Trends in raising equity capital
- Watching out for the bears

Washington and NASDAQ

Washington Overview

- NASDAQ has a total of 71 listed companies in Washington and the NYSE has 15 listed companies.
- NASDAQ has 7 NASDAQ-100 companies in Washington. Top 3 by market cap are MSFT, AMZN and COST.
- NASDAQ's largest market cap company in Washington is Microsoft (\$238 Billion)
- Since 2006 NASDAQ has had 6 IPOs by companies headquartered in Washington, while NYSE has had none.

NASDAQ Washington Breakdown



WA & OR Alliance Partners

Advocacy

- Seattle U. Director Academy
- America's Community Bankers
- Technology Alliance
- Washington BIO
- Washington Software Alliance
- University of Washington
- Seattle FEI (Keynote)
- Seattle NACD (speaker)

Advisory

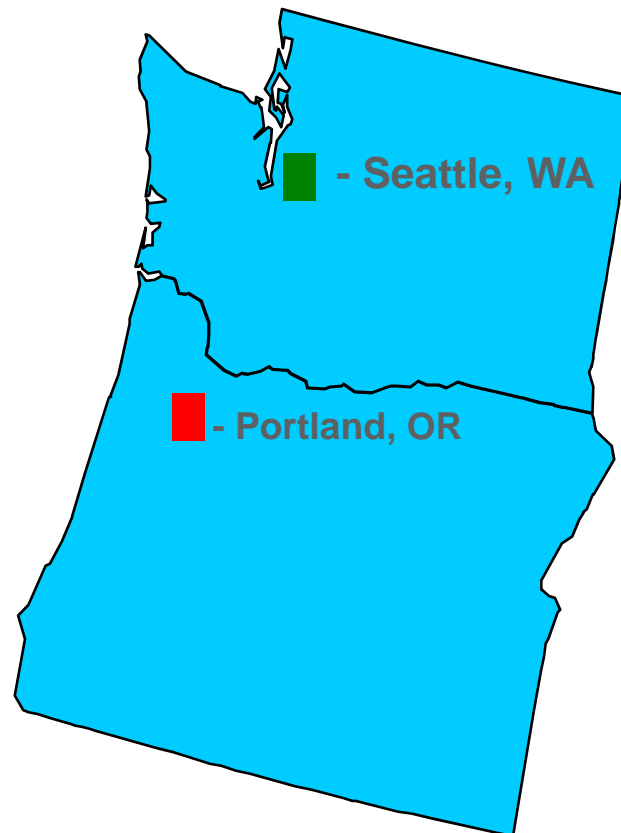
- D.A. Davidson
- Smart Forest Ventures
- Madrona Ventures
- Evergreen VC Association
- Vulcan Capital (VC)
- Preston, Gates, Ellis (Law)
- Kibble & Prentice (Law)
- WA CEO Roundtable
- Pacific Crest Securities
- Len Cherighino (IR)
- Pondel, Wilkinson, Parsons (IR)
- Stoel Rives (law firm)
- Ater Wynne (law firm)

Visibility

- Pacific Science Center
- Seattle NIRI (Keynote)
- Portland NIRI
- Ryther (charity)
- Children's Hospital

Washington & Oregon

Kristen Summersby



MSFT Events & Programs

- Windows Vista Launch @ Marketsite
- MSFT CEO Summit – Bob Griefeld
- XBOX Halo Launch @ Marketsite
- NDAQ London Conf December
- Win Server 08 Launch @ Marketsite
- Bungie IPO (2008)

WA & OR Alliance Targets

- Oregon Chamber of Commerce
- Oregon Entrepreneurs Forum
- Artfund

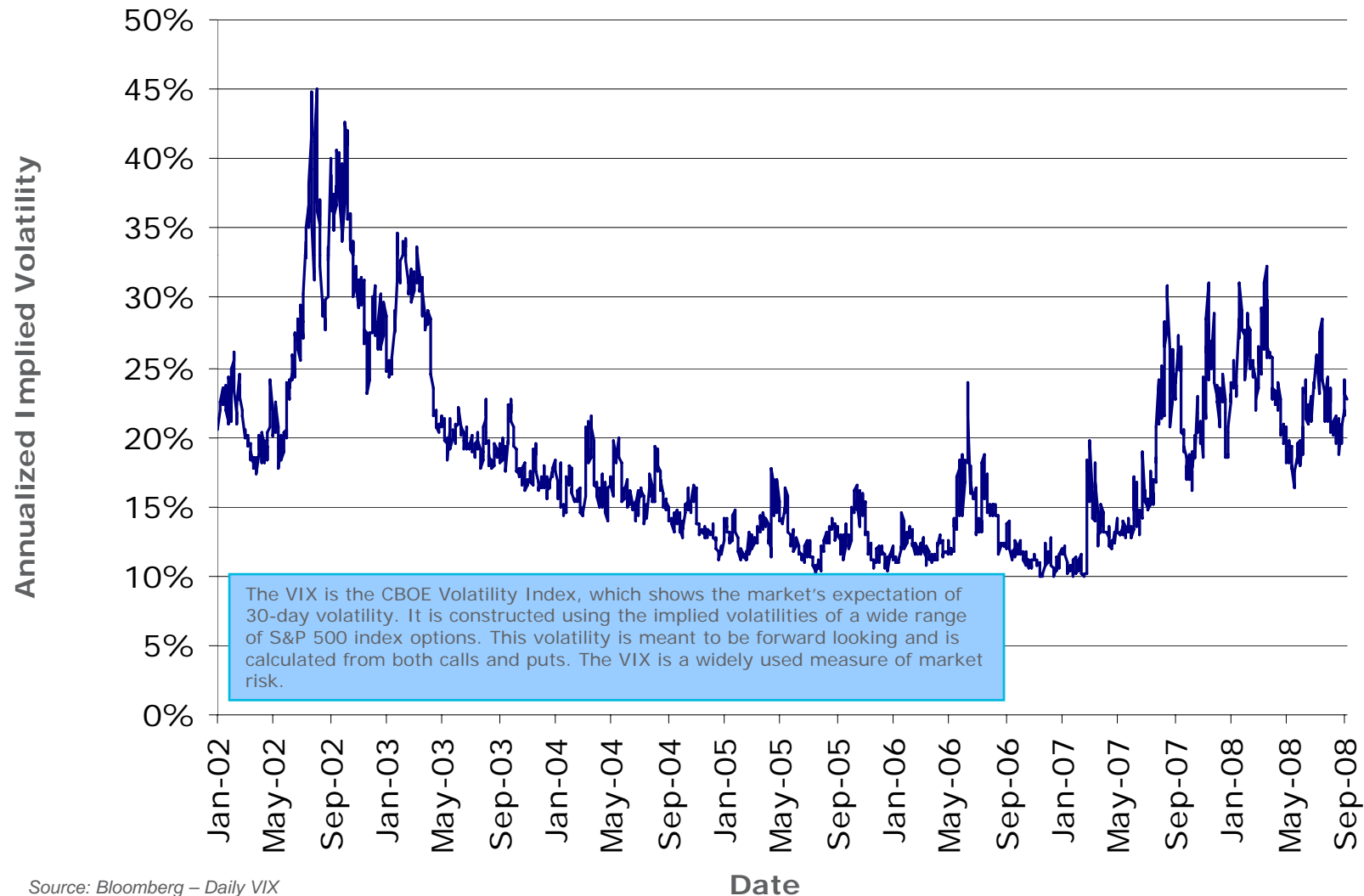
State Overview

- WA: 73 Issuers \$434B, 7 N-100
- OR: 35 Issuers \$16B

The uncertain state of the economy

VIX market volatility index 2002-2008

In Q3 2007 and again in Q1 2008 market volatility hit levels not seen since 2003. This time, however, it is not only share prices exhibiting instability.



Source: Bloomberg – Daily VIX

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The price of oil 9/07-9/08

Many other commodities have also experienced extraordinary levels of volatility creating uncertainty about costs and profitability.



Source: Bloomberg – NYMEX front month light sweet crude

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The U.S. dollar 9/07-9/08

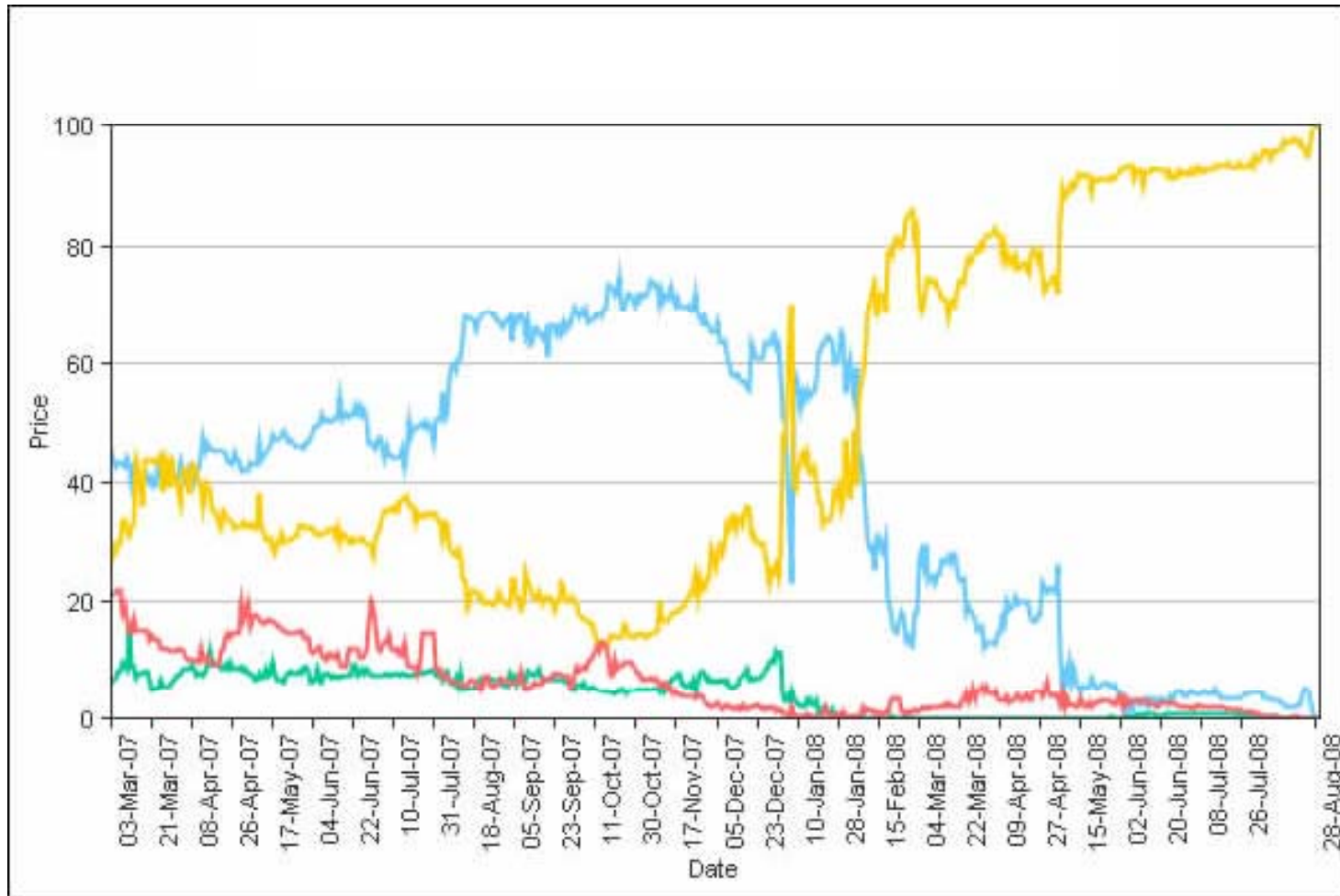
Investment decisions depend on the value of the currency, when the value is uncertain decisions are apt to be to decline or defer.



Source: Bloomberg – Trade weighted dollar index

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And there is also...

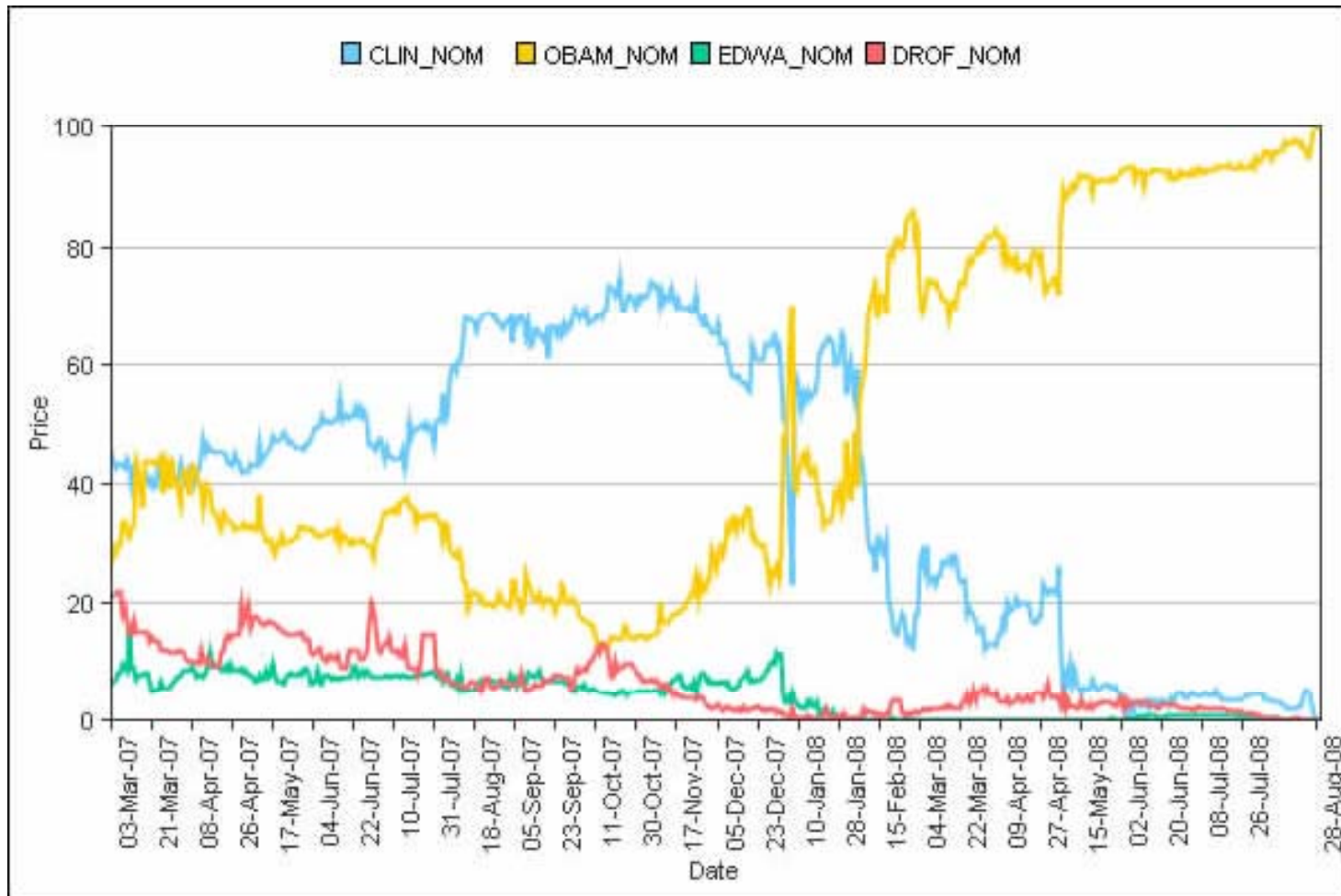


Source: ??

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Political uncertainty

The Presidency, Congress, and Congressional Committee Chairs impact the economy.

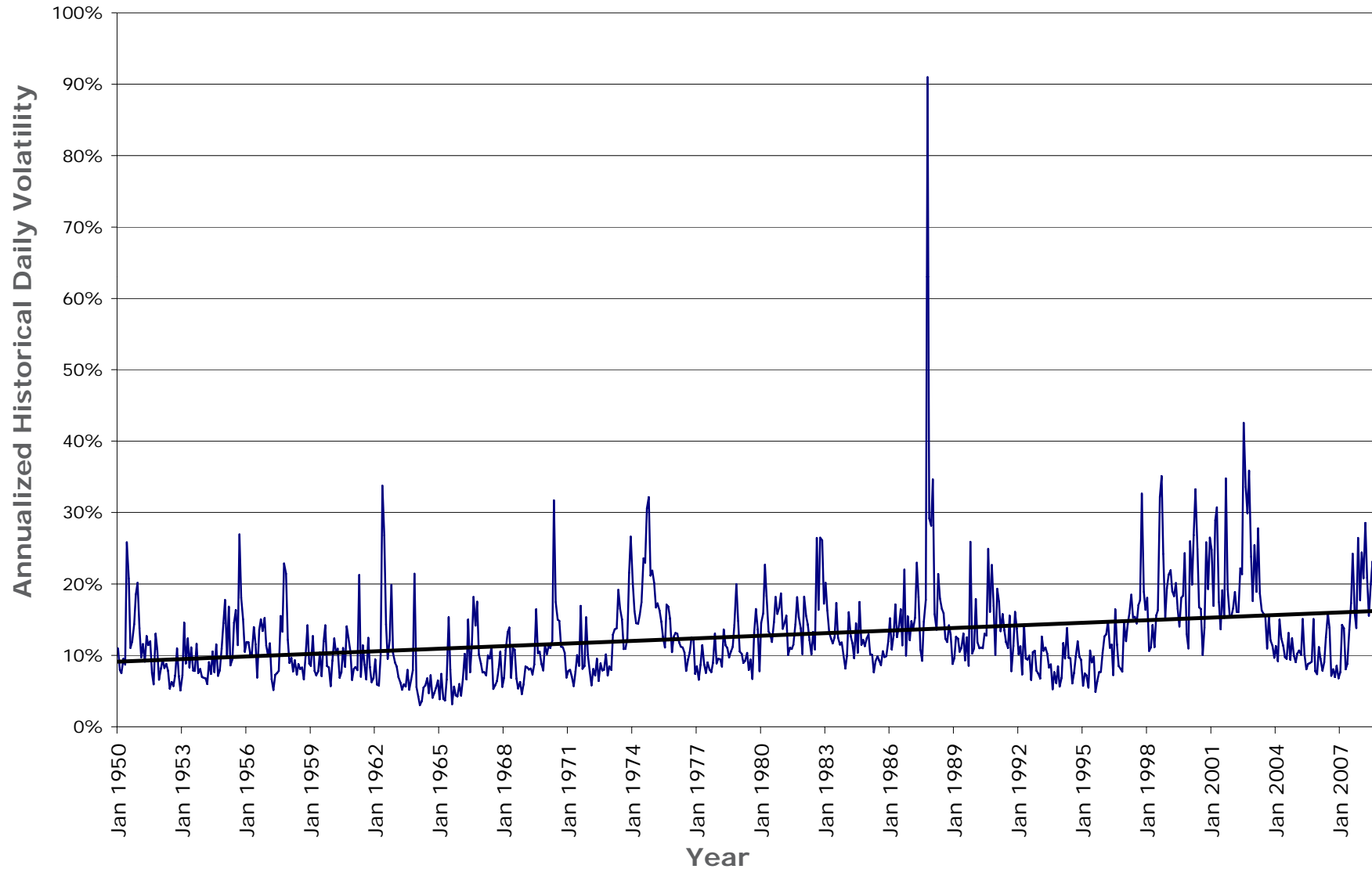


Source: Iowa Electronic Markets

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S&P 500 index volatility (1950 – present)

By historic standard, volatility in 2008 is high but not exceptionally so. The current level of volatility and uncertainty is typical of economic turning points.



Trends in raising capital

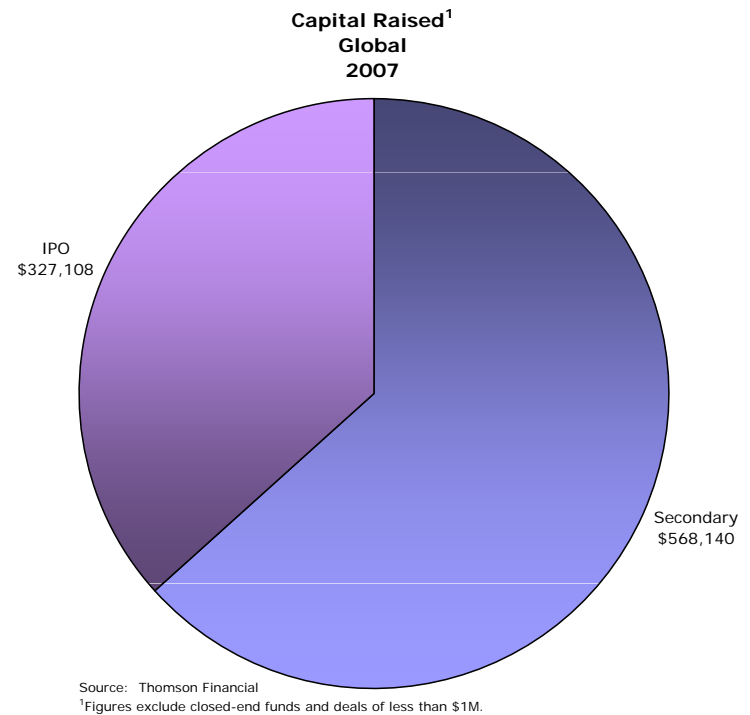
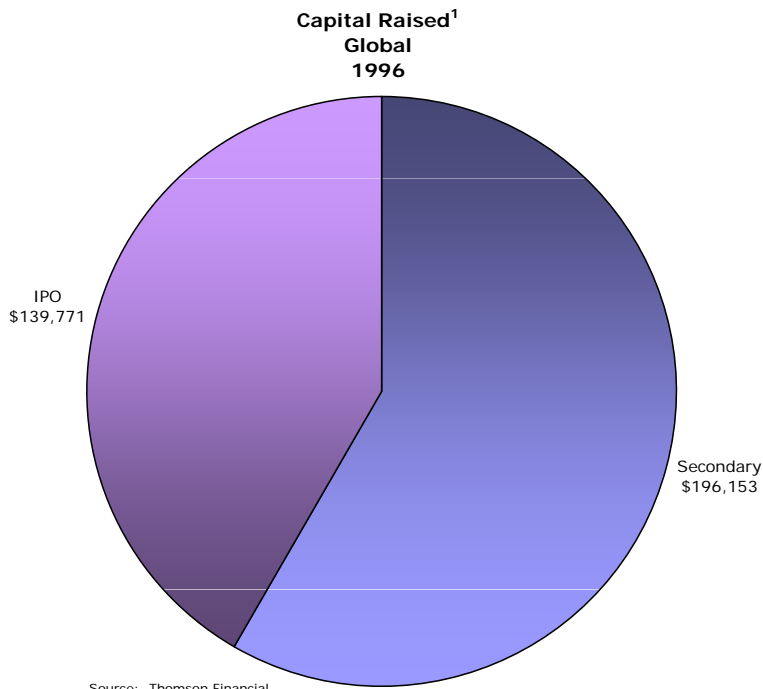
Capital raised - Global

Capital raised more than doubled from 1996 to 2007.

–BRIC countries raised less than 10% of total capital in 1996 and 30% in 2007.

–In numbers, IPO deals fell 13% but the number of secondary offerings rose 139%.

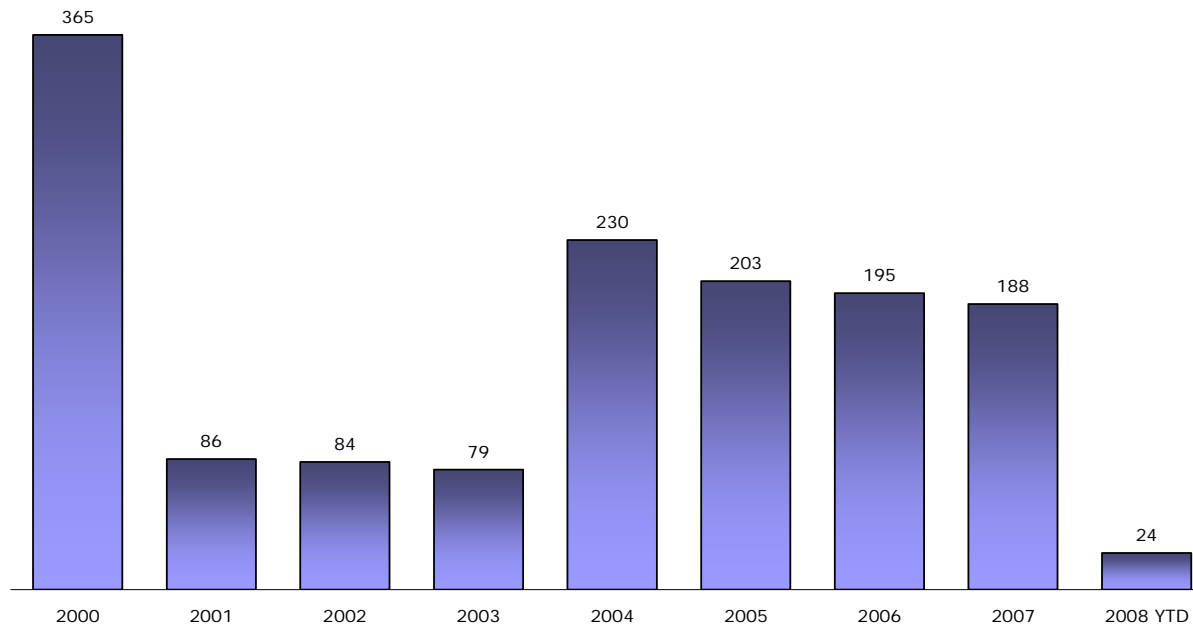
–In the U.S., the number IPOs and secondary offerings fell 76% and 40%. U.S. capital raised was flat.



Trends in IPOs - US

- The US market has not experienced the growth in the global market observed since 2004.
- The compound annual growth rate of capital raised is -6.4% for 2000 to 2007.
- The average offering size has increased from \$175 million in 2000 to \$214 million in 2007.

Number of IPOs¹
United States
2000 to 2008



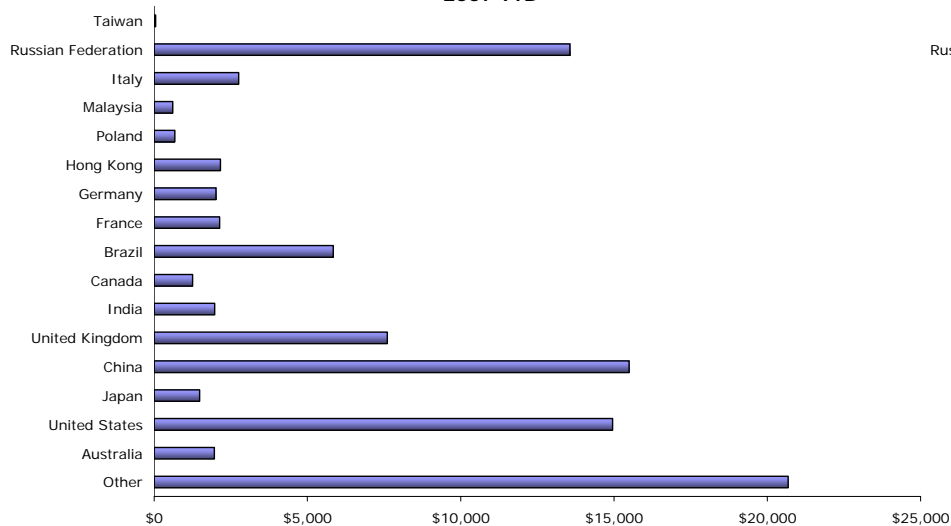
Source: Thomson Financial

¹Figures exclude closed-end funds and deals of less than \$1M;
2008 through May 12.

Recent trends in global IPOs - Capital

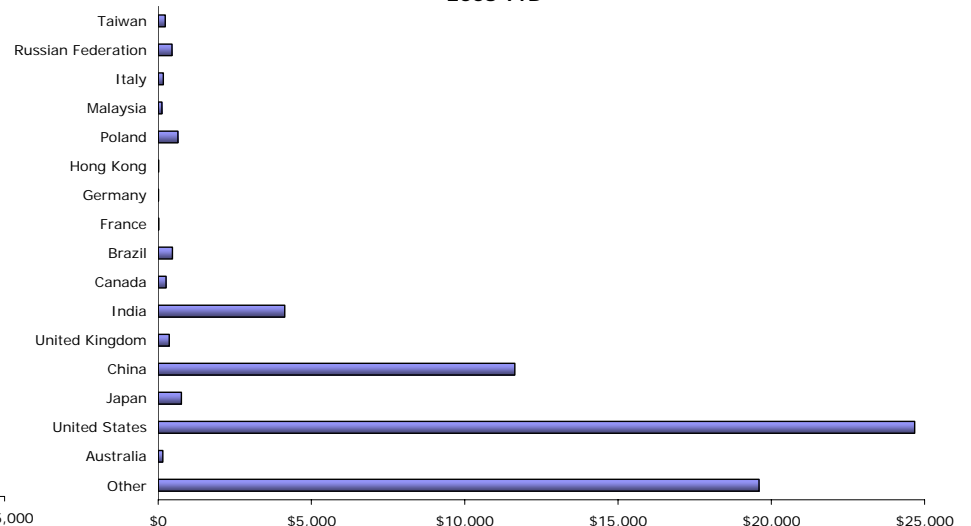
- Global capital raised was down 33% from \$95B to \$64B year-on-year while deals were larger on average.
- Of 35 countries with activity in both years, 11 exhibited year-on-year growth in average capital raised.

Capital Raised from IPOs¹
by Country
2007 YTD



Source: Thomson Financial
¹Figures exclude closed-end funds and deals of less than \$1M; YTD through May 12.

Capital Raised from IPOs¹
by Country
2008 YTD



Source: Thomson Financial
¹Figures exclude closed-end funds and deals of less than \$1M; YTD through May 12.

Outlook

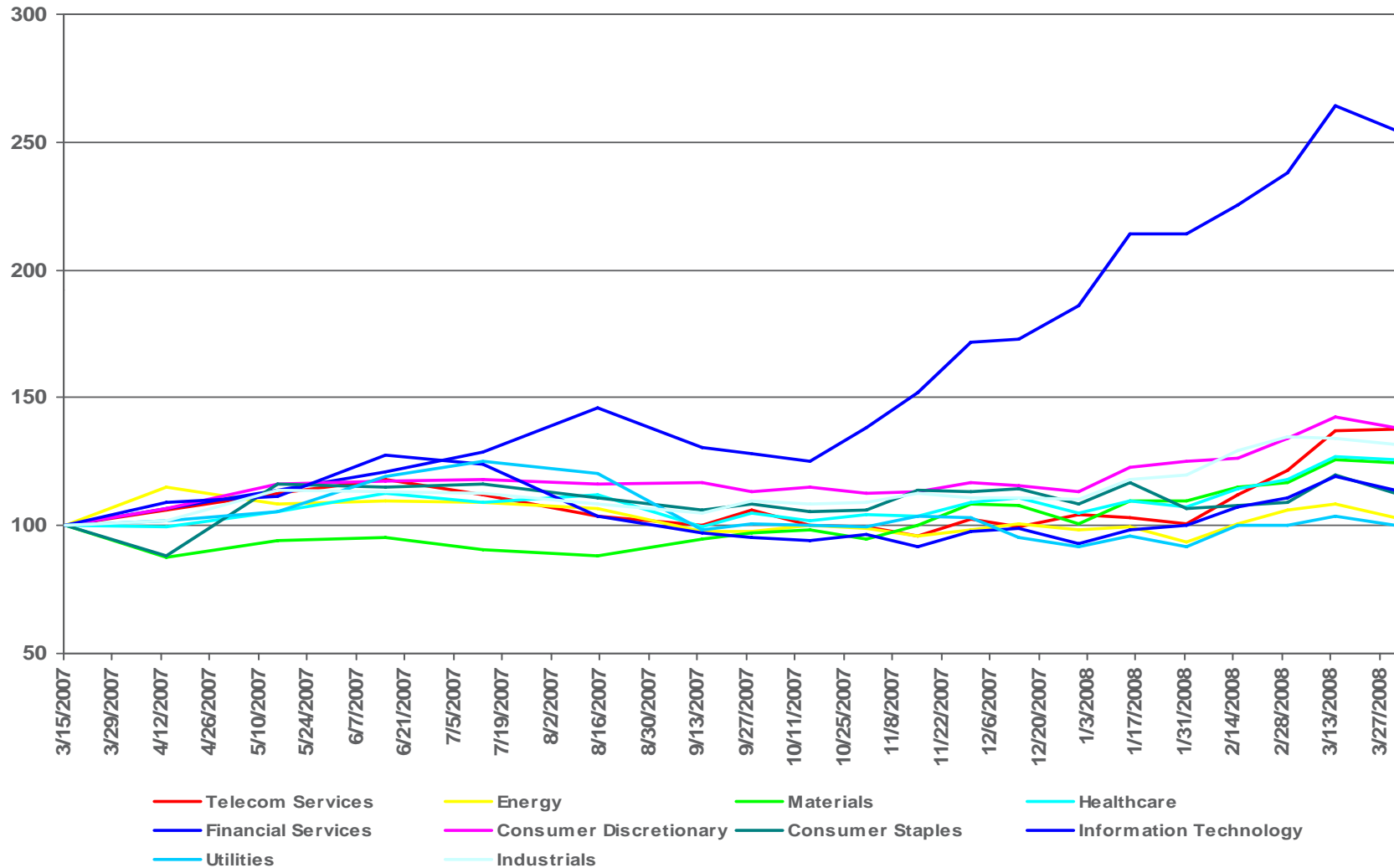
It is difficult to make investment decisions about risk adjusted returns if you cannot measure risk.

- Decision making requires assumptions about the cost of capital, cost of inputs, price for outputs, taxation, political risk and other factors. The more uncertainty in each of the elements of this calculus the less capital is available.
- Unprecedented levels of withdrawal and postponement of deals have been observed worldwide.
 - According to Dealogic, worldwide 83 companies withdrew and 24 postponed IPOs in Q1 2008.
 - Seasoned and stable companies have best maintained access to capital.
- The political landscape in the U.S. will not stabilize until late Q4 2008 or more likely Q1 2009. Until at least that time both market stability and economic stability will continue to be elusive.
- While technically a recession may be avoided due to boom times in certain sectors of the economy, many sectors will continue to face a recessionary environment.

Watching out for the bears

Short interest across market sectors

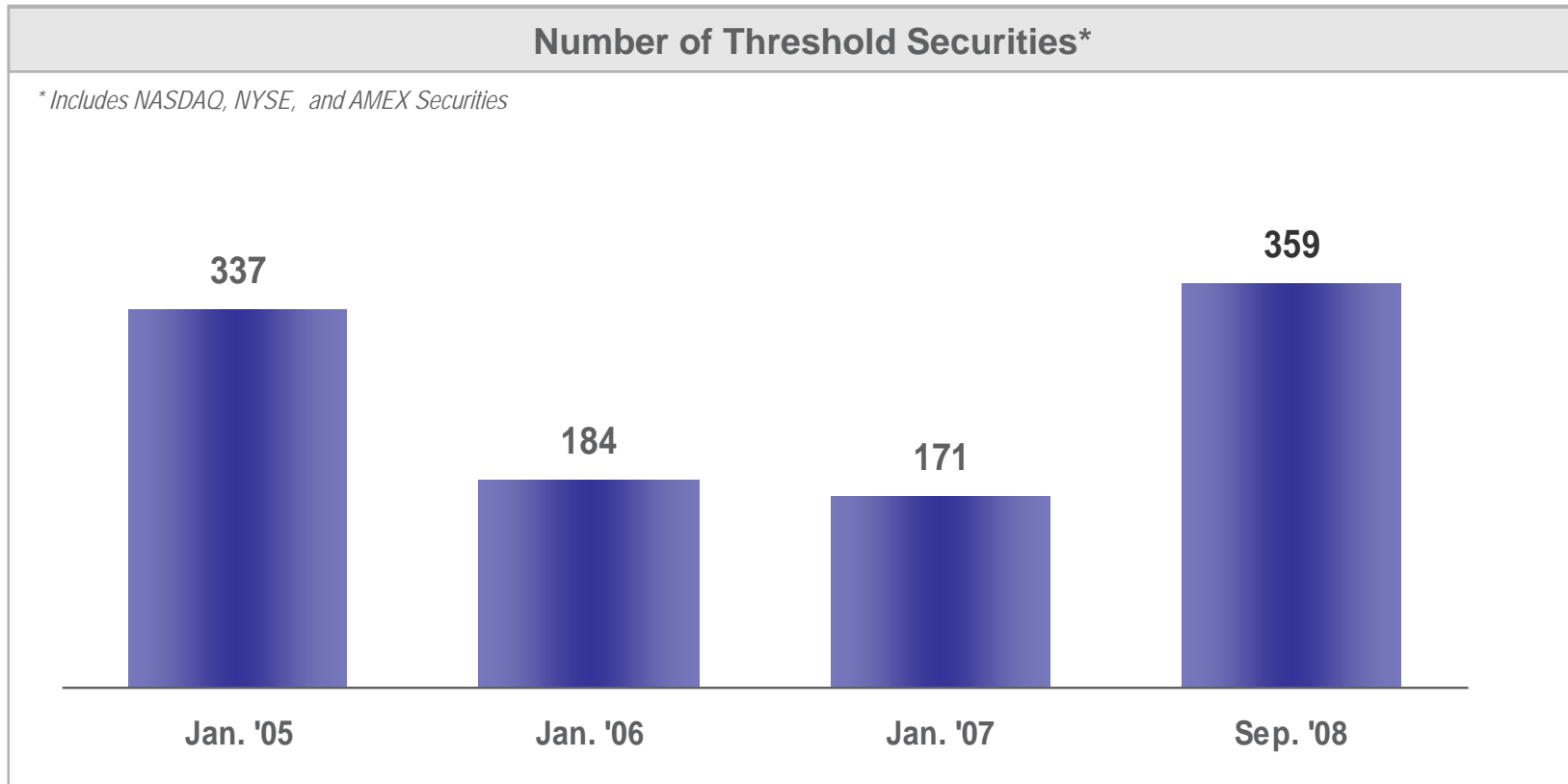
Short interest has risen over the past year, particularly in the financial services sector.



Source: FactSet Research Systems

Threshold securities and naked short selling

Stocks with elevated levels of settlement failures, often associated with naked short selling, are placed on the SEC's 'Threshold List'.



A threshold security is any equity security of an issuer that is registered under Section 12, or that is required to file reports pursuant Section 15(d) of the Exchange Act where, for 5 consecutive settlement days: (1) there are aggregate fails to deliver at a registered clearing agency of 10,000 shares or more per security; (2) the level of fails is equal to at least one-half of one percent of the issuer's total shares outstanding; and (3) the security is included on a list published by an SRO

Source: nasdaqtrader.com, nyse.com/threshold and amex.com. Dates used 1/31/05, 1/31/06, 1/31/07, 12/31/07 and 9/10/08

Recent actions against naked short selling

The SEC continues to take incremental steps to eliminate naked short selling and protracted failures in the delivery process.

The Emergency Order

- In response to sharp declines in many financial stocks, the SEC issued an emergency order restricting short selling in 19 financial stocks.
- While the short term reaction of prices in financial shares was very positive the effect quickly wore off.

Proposal to eliminate the Option Market Maker Exemption

- Options market makers are currently exempt from being forced to 'Close Out' a naked short position.
- The SEC is considering a rule to eliminate this exemption.

Additional Rule Making

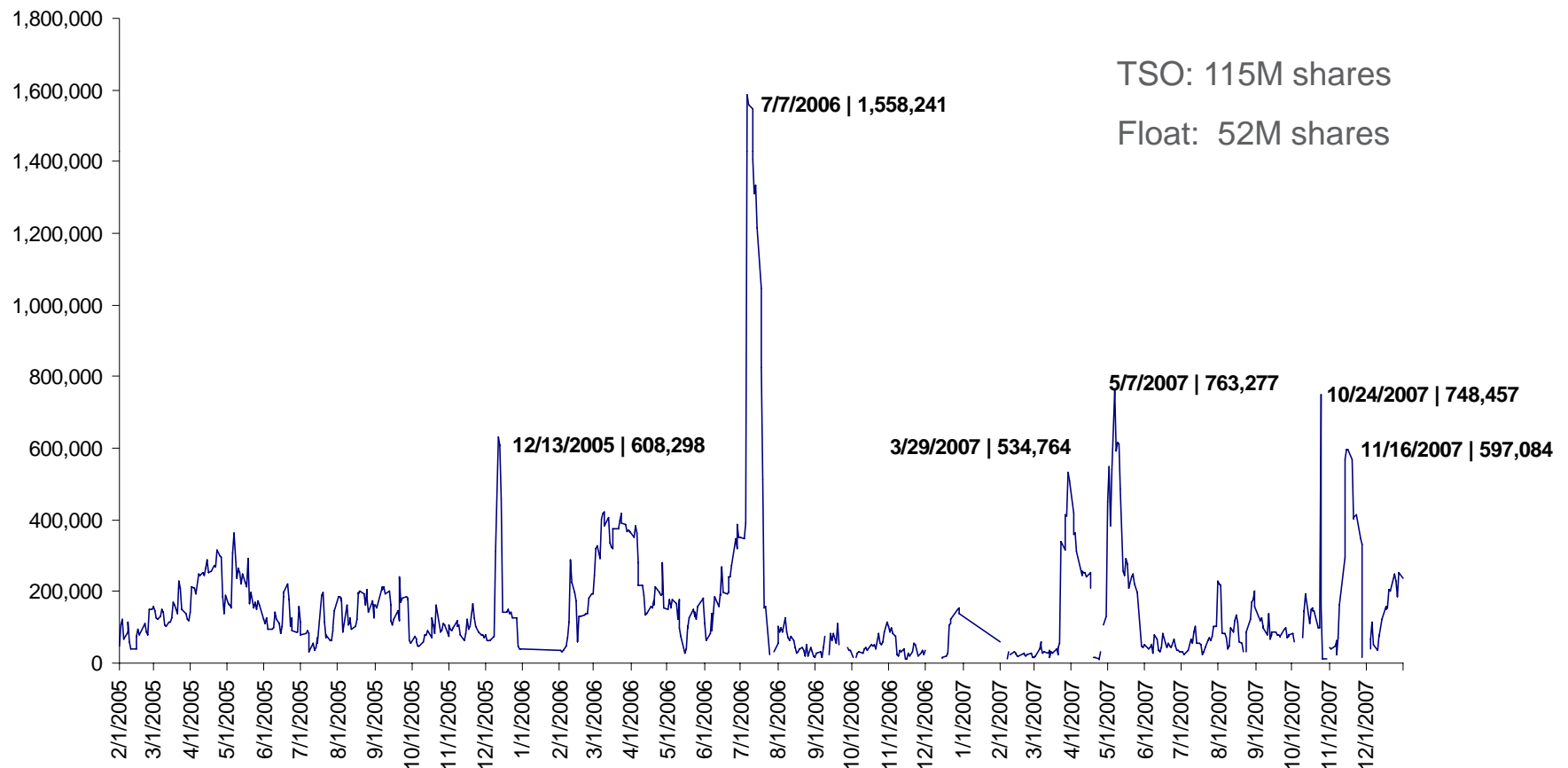
- Later this fall, the SEC is expected to offer new proposals related to naked short selling.

NASDAQ OMX Web Seminar Series: Short Selling – Trends, Regulatory Changes and Impact on Public Companies: <http://www.shareholder.com/NDQCCG/MediaRegister.cfm?MediaID=31091> .

Do you have naked shorts?

The SEC has made available delayed data on settlement failures.

Example: Shares Failing to Deliver
Feb 2005 - December 2007

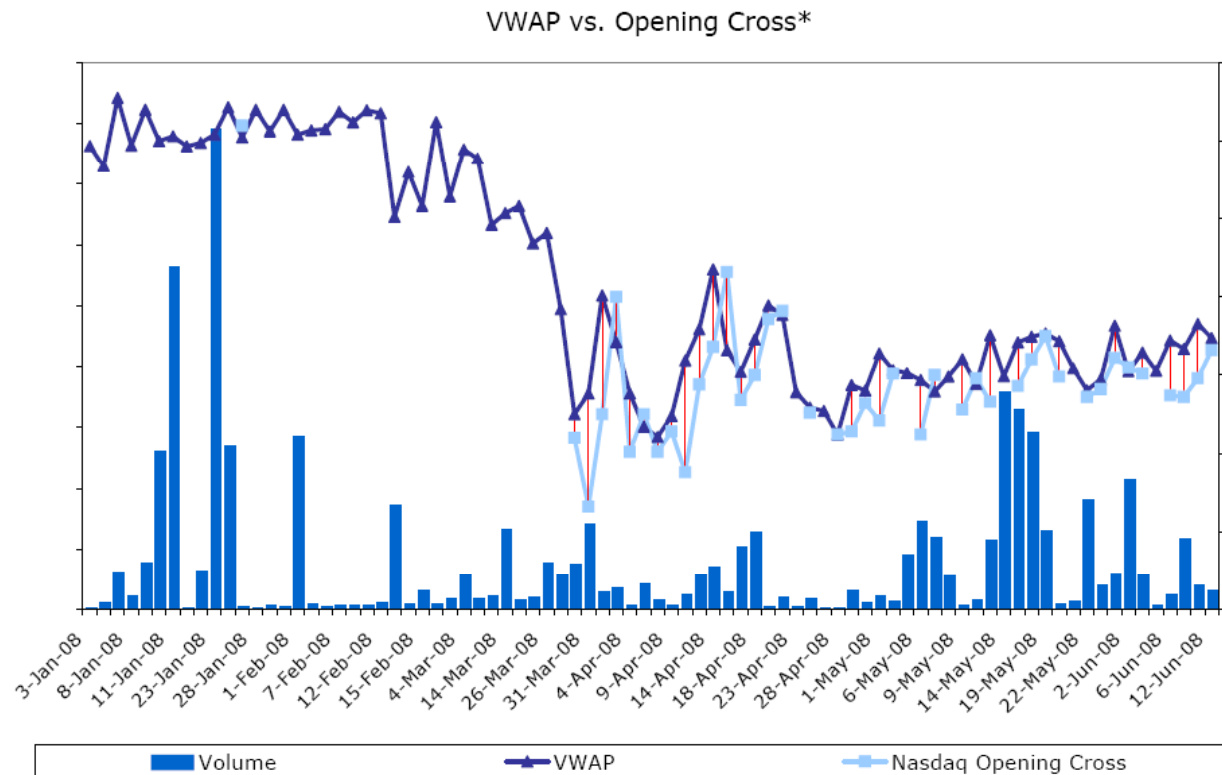


Source: <http://www.sec.gov/foia/docs/failsdata-archive.htm>

Looking for trouble: Odd patterns at key times

The open and close are critical times of the day and often the focus of questionable behavior.

VWAP v OC



Note: Open/close prices are from NasdaqOMX open close stats; VWAPs are from Bloomberg.