

INTERCONTINENTALEXCHANGE INC

Form 424B1

July 18, 2006

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Filed Pursuant to Rule 424(b)(1)  
 Registration No. 333-135060

**8,000,000 Shares**

**Common Stock**

This is a public offering of common stock of IntercontinentalExchange, Inc.

The selling shareholders are offering 7,975,000 shares in the offering and we are offering an additional 25,000 shares. We will not receive any proceeds from the sale of the shares being sold by the selling shareholders.

Our common stock is listed on the New York Stock Exchange under the symbol ICE. On July 17, 2006, the last reported sale price of our common stock on the New York Stock Exchange was \$58.11 per share.

*Investing in our common stock involves significant risks. See Risk Factors beginning on page 12 to read about factors you should consider before buying shares of our common stock.*

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

	<b>Per Share</b>	<b>Total</b>
Public offering price	\$ 56.00	\$ 448,000,000
Underwriting discount	\$ 2.16	\$ 17,280,000
Proceeds, before expenses, to IntercontinentalExchange, Inc.	\$ 53.84	\$ 1,346,000
Proceeds, before expenses, to the selling shareholders	\$ 53.84	\$ 429,374,000

To the extent that the underwriters sell more than 8,000,000 shares of our common stock, the underwriters have the option to purchase up to an additional 1,200,000 shares from the selling shareholders at the public offering price less the underwriting discount.

The underwriters expect to deliver the shares of common stock in New York, New York on July 21, 2006.

**Goldman, Sachs & Co.**

**Morgan Stanley**

**UBS Investment Bank**

**William Blair & Company**

**Sandler O Neill + Partners, L.P.**

**Societe Generale**

Prospectus dated July 17, 2006

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**PROSPECTUS SUMMARY**

*This summary highlights information contained elsewhere in this prospectus. Before making an investment decision, you should read the entire prospectus carefully, including the section entitled Risk Factors and our consolidated financial statements and related notes included elsewhere in this prospectus. Unless otherwise indicated, the terms IntercontinentalExchange, we, us, our, our company and our business refer to IntercontinentalExchange, Inc. or IntercontinentalExchange, LLC, as applicable, together with our consolidated subsidiaries. Due to rounding, figures in tables may not sum exactly.*

**BUSINESS**

**Overview**

We operate the leading electronic global futures and over-the-counter, or OTC, marketplace for trading a broad array of energy products. Currently, we are the only marketplace to offer an integrated electronic platform for side-by-side trading of energy products in both futures and OTC markets. Through our electronic trading platform, our marketplace brings together buyers and sellers of derivative and physical energy commodities contracts. Our electronic platform increases the accessibility and transparency of the energy commodities markets and enhances the speed and quality of trade execution. The open architecture of our business model meaning our ability to offer centralized access to trading in regulated futures markets and in OTC contracts on a cleared or bilateral basis through multiple interfaces allows our participants to optimize their trading operations and strategies. We conduct our OTC business directly, and our futures business through our wholly-owned subsidiary, ICE Futures. ICE Futures is the largest energy futures exchange outside of North America, as measured by 2005 traded contract volumes. We also offer a variety of market data services for both futures and OTC markets through ICE Data, our market data subsidiary.

For the three months ended March 31, 2006, 36.6 million contracts were traded in our combined futures and OTC markets, up 86.9% from 19.6 million contracts traded for the three months ended March 31, 2005. For the year ended December 31, 2005, 104.1 million contracts were traded in our combined futures and OTC markets, up 56.5% from 66.5 million contracts traded for the year ended December 31, 2004. Our revenues consist of transaction fees, market data fees and other revenues. On a consolidated basis, for the three months ended March 31, 2006, we generated \$50.3 million in revenues (representing a 58.0% increase compared to \$31.8 million for the three months ended March 31, 2005) and \$19.7 million in net income (representing a 121.7% increase compared to \$8.9 million for the three months ended March 31, 2005). On a consolidated basis, we generated \$155.9 million in revenues for the year ended December 31, 2005 (representing a 43.8% increase compared to \$108.4 million for the year ended December 31, 2004) and \$40.4 million in net income for the year ended December 31, 2005 (representing a 84.1% increase compared to \$21.9 million for the year ended December 31, 2004). The financial results for the year ended December 31, 2005 include \$4.8 million in expenses incurred relating to the closure of our open-outcry trading floor in London and a \$15.0 million settlement expense related to a payment made to EBS Dealing Resources, Inc., or EBS, to settle litigation.

**Our History**

Our company was formed in May 2000 with the goal of developing a platform to provide a more transparent and efficient market structure for OTC energy commodities trading. Our predecessor company, Continental Power Exchange, Inc., which was wholly owned by Jeffrey C. Sprecher, our chairman and chief executive officer, contributed to us all of its assets in May 2000, which consisted principally of electronic trading technology, and its liabilities, in return for a minority equity interest in our company. In June 2001, we expanded our business into futures

trading by acquiring ICE Futures Holdings Plc (formerly known as IPE Holdings Plc), the owner of ICE Futures (formerly known as the International Petroleum Exchange), which, at the time, was operated predominantly as a floor-based, open-outcry exchange. The International Petroleum Exchange had been seeking to expand its electronic trading capabilities since the late 1990s following the emergence of the industry trend toward electronic trade execution. At the time, we were seeking to expand our product offerings and to gain access to clearing and settlement services. Based on the complementary nature of our businesses, we acquired the International Petroleum Exchange to develop a leading platform for energy commodities trading that would offer liquidity in both the futures and OTC markets. The International Petroleum Exchange, as a regulated futures exchange, had both

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established liquidity and an established brand in global energy markets. Prior to our acquisition of the International Petroleum Exchange, we offered trading only in OTC markets. The International Petroleum Exchange was formed in 1980 by a group of energy and futures companies. The Brent Crude futures contract, its benchmark contract, was launched in 1988.

## **Our Business**

Our marketplace is globally accessible, promotes price transparency and offers participants the opportunity to trade a variety of energy products. Our key products include contracts based on crude or refined oil, natural gas and power. Our derivative and physical products provide participants with a means for managing risks associated with changes in the prices of these commodities, asset allocation, ensuring physical delivery of select commodity products, speculation and arbitrage. The majority of our trading volume is financially, or cash, settled, meaning that settlement is made through cash payments based on the value of the underlying commodity, rather than through physical delivery of the commodity itself.

We operate our business in three distinct markets: futures markets, OTC markets and market data markets. We operate our futures markets through our regulated subsidiary, ICE Futures, a Recognized Investment Exchange based in London, which gained recognition from the Financial Services Authority, the regulatory authority that governs, among other things, commodities futures exchanges in the United Kingdom, in accordance with the terms of the Financial Services and Markets Act of 2000. Futures markets offer trading in standardized derivative contracts and OTC markets offer trading in over-the-counter, or off-exchange, derivative contracts, including contracts that provide for the physical delivery of an underlying commodity and contracts that provide for financial settlement based on the prices of underlying commodities. All futures and cleared OTC contracts are cleared through a central clearinghouse. We offer OTC contracts that can be traded on a bilateral basis and certain OTC contracts that can be traded on a cleared basis. Bilateral contracts are settled between counterparties, while cleared contracts are novated to a clearinghouse, where they are marked to market and margined daily before final settlement at expiration. We do not take proprietary trading positions in derivatives contracts on commodities and other financial instruments in our markets. We also offer a variety of market data services for both futures and OTC markets through ICE Data, our market data subsidiary.

We operate our futures and OTC markets exclusively on our electronic platform. We believe that electronic trading offers substantial benefits to our market participants. In contrast to alternate means of trade execution, such as telephones and trading floors, market participants executing trades electronically on our platform are able to achieve price improvement and cost efficiencies through greater transparency and firm posted prices, reduce trading errors and eliminate the need for market intermediaries. In addition to trade execution, our electronic platform offers a comprehensive suite of trading-related services, including electronic trade confirmation, access to clearing services and risk management functionality. Our trading-related services are designed to support the trading operations of our participants. Through our electronic platform, we facilitate straight-through processing of trades, with the goal of providing seamless integration of front-, back- and mid-office trading activities.

## **Our Competitive Strengths**

We have established ourselves as the leading electronic marketplace for combined global futures and OTC energy commodities trading by leveraging a number of key strengths, including:

highly liquid global markets and benchmark contracts;

leading electronic energy trading platform;

integrated access to futures and OTC markets;

highly scalable, proven technology infrastructure;

transparency and independence; and

strong value proposition.

***Highly Liquid Global Markets and Benchmark Contracts***

We offer liquid markets in a number of the most actively traded global energy commodities products. We operate the leading market for trading in Brent crude futures, as measured by the volume of contracts traded in 2005.

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The ICE Brent Crude futures contract that is listed by ICE Futures is a leading benchmark for pricing light, sweet crude oil produced and consumed outside of the United States. Similarly, the ICE Gas Oil futures contract is a leading benchmark for the pricing of a range of refined oil products outside the United States. We also operate the leading market for trading in cleared OTC Henry Hub natural gas contracts, with 13.9 million contracts traded for the three months ended March 31, 2006 and 42.8 million contracts traded for the year ended December 31, 2005, compared to 3.6 million and 10.4 million cleared OTC Henry Hub natural gas contracts traded by our nearest competitor during the same periods. The Henry Hub natural gas market is the most liquid natural gas market in North America. We believe that our introduction of cleared OTC products has enabled us to attract significant liquidity in the OTC markets we operate.

### ***Leading Electronic Energy Trading Platform***

Our leading electronic trading platform provides centralized and direct access to trade execution for a variety of energy products. We operate our futures and OTC markets exclusively on our electronic platform. Our electronic platform has enabled us to attract significant liquidity from traditional market participants as well as new market entrants seeking the efficiencies and ease of execution offered by electronic trading. We have developed a significant global presence with thousands of active screens at over 1,000 OTC participant firms and over 450 futures participant firms as of March 31, 2006.

### ***Integrated Access to Futures and OTC Markets***

We attribute the growth in our business in part to our ability to offer qualified market participants integrated access to futures and OTC markets. Our integrated and electronic business model allows us to respond rapidly to our participants' needs, changing market conditions and evolving trends in the markets for energy commodities trading by introducing new products, functionality and increased access for energy market participants.

### ***Highly Scalable, Proven Technology Infrastructure***

Our electronic trading platform provides rapid trade execution and is, we believe, one of the world's most flexible, efficient and secure systems for commodities trading. We have designed our platform to be highly scalable meaning that we can expand capacity and add new products and functionality efficiently at relatively low cost and without disruption to our markets. Our platform can also be adapted and leveraged for use in other markets, as demonstrated by the decision of the Chicago Climate Exchange to operate its emissions-trading market on our platform. We believe that our commitment to investing in technology to enhance our platform will continue to contribute to the growth and development of our business.

### ***Transparency and Independence***

We offer market participants price transparency, meaning a complete view of the depth and liquidity of our markets and transactional data, through our electronic platform. This is in contrast to the lack of transparency of traditional open-outcry exchanges and voice-brokered markets. All orders placed on our platform are executed in the order in which they are received, ensuring that all participants have equal execution priority. In addition, our transparent electronic markets facilitate regulation through increased market visibility, and our systems generate and maintain complete and confidential records of all transactions executed in our markets.

Our board of directors is structured to be independent from our participants and trading activity on our electronic platform, which allows our board to act impartially in making decisions affecting trading activity. In contrast, many of our competitors are governed by their members or other market participants. We believe that our governance structure promotes shareholder value and the operation of fair and efficient markets. We also believe that it provides us with



greater flexibility to introduce new products and services, and to evaluate and pursue growth opportunities while ensuring impartial treatment for our participants. In addition, we do not participate as a principal in any trading activities, which allows us to avoid potential conflicts of interest that could arise from engaging in trading activities while operating our marketplace.

***Strong Value Proposition***

We believe that, by using our electronic platform, market participants benefit from price transparency and can achieve price improvement over alternate means of trading. Electronic trade execution offers time and cost efficiencies by providing firm posted prices and reducing trade-processing errors and back office overhead, and

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allows us to accelerate the introduction of new products on our platform. The combination of electronic trade execution and integrated trading and market data services facilitates automation by our participants of all phases of trade execution and processing from front-office to back-office, and ranging from trading and risk management to trade settlement. In addition, in our futures business, eligible participants who become members may trade directly in our markets by paying a maximum annual membership fee of approximately \$11,000 per year. In contrast, on the New York Mercantile Exchange, or NYMEX, which is our principal competitor, participants are required to purchase a seat on the exchange before they are eligible to trade directly on or gain membership in the exchange, the cost of which is substantial (approximately \$1.2 million based on a June 6, 2006 NYMEX seat sale price). While a seat conveys a right of ownership and other benefits to its member, it poses a significant barrier to gaining direct access to certain futures exchange markets that are owned by members.

## **Selected Risk Factors**

We face risks in operating our business, including risks that may prevent us from achieving our business objectives or that may adversely affect our business, financial condition and operating results. You should consider these risks before investing in our company. Risks to our business include:

*Competition.* We face intense competition from exchanges, voice brokers and other electronic platforms, some of which are larger than we are and have greater financial resources, broader product offerings, more participants, less regulation and longer operating histories. Competition in the market for commodities trading could increase if new electronic trading platforms or futures exchanges are established, or if existing platforms or exchanges that currently do not trade energy commodities products decide to do so. NYMEX announced in April 2006 that it had entered into a definitive technology services agreement with the Chicago Mercantile Exchange, or CME, pursuant to which CME, through CME Globex, will become the exclusive electronic trading services provider for NYMEX's energy futures and options contracts. Our business depends on our ability to compete successfully.

*Dependence on Trading Volumes, Market Liquidity and Price Volatility.* Our business is primarily transaction-based, and declines in trading volumes and market liquidity will adversely affect our profitability. Trading volume is driven primarily by the degree of volatility—the magnitude and frequency of fluctuations—in prices of commodities. In particular, our revenues depend heavily on trading volumes in the markets for our ICE Brent Crude and ICE Gas Oil futures contracts and our OTC North American natural gas and power contracts, which represent a significant percentage of our revenues.

*Dependence on LCH.Clearnet.* We currently do not own our own clearinghouse and must rely on LCH.Clearnet to provide clearing services to trade futures and cleared OTC contracts in our markets. We cannot continue to operate our futures markets or offer cleared OTC contracts without clearing services.

*Regulation.* We operate our OTC markets in the United States as an exempt commercial market under the Commodity Exchange Act, and we operate our futures markets through a regulated Recognized Investment Exchange subject to regulation by the United Kingdom's Financial Services Authority, or FSA. In the United States, our futures products are not regulated by the Commodity Futures Trading Commission, or CFTC, and are offered to customers pursuant to a series of CFTC no-action letters. Recently, the CFTC announced that it intends to re-examine its use of the no-action letter process and held a public hearing on June 27, 2006 to consider what constitutes a foreign board of trade that is not subject to CFTC jurisdiction and regulation. Our ability to offer new futures products under our existing no-action relief could be impacted by the pendency of the CFTC's policy review and any actions taken by the CFTC as a result of its policy review. We cannot predict what level of additional regulation our futures business and futures products may be subjected to as a result of this CFTC policy review. If we are unable to offer additional products, or if our offerings of products are subject

to additional regulatory constraints, our business could be adversely affected. In addition, our failure to comply with existing regulatory requirements, and possible future changes in these requirements, could adversely affect our business.

*Litigation.* We are subject, from time to time, to claims that we are infringing on the intellectual property rights of others, which can result in litigation. For example, our principal competitor, NYMEX, filed suit against us alleging we infringed its intellectual property rights. Our motion for summary judgment was granted by the federal district court in September 2005, and on October 13, 2005 NYMEX filed a notice of

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appeal. If NYMEX is successful in its appeal and the matter is determined adversely to us after a trial, our business would be materially and adversely affected. Unfavorable outcomes of litigation could adversely affect our business.

For a discussion of the significant risks associated with operating our business, our industry or investing in our common stock, you should read the section entitled "Risk Factors" beginning on page 12 of this prospectus.

## **Our Growth Strategy**

We seek to advance our leadership position by focusing our efforts on the following key strategies for growth:

### ***Attract New Market Participants***

In recent years, our participant base has expanded and diversified due to the emergence of new participants in the energy commodities markets. These new participants range from producers and consumers of commodities to financial services companies, such as investment banks, hedge funds, proprietary trading firms and asset managers that are increasingly seeking hedging, trading and risk management strategies within the energy sector. Many of these participants have been attracted to the energy markets in part due to the availability of electronic trading. We intend to continue to expand our participant base by targeting these and other new market participants and by offering electronic trade execution and processing capabilities that meet the risk management requirements of a broad range of market participants.

### ***Increase Connectivity to Our Marketplace***

Our participants may access our electronic platform for trading in our futures markets through our own Internet-based front-end or through the front-end systems developed by any of 12 independent software vendors. These represent a substantial portion of the independent software vendors that serve the commodities futures markets. Furthermore, participants in our futures markets can access our platform directly through their own proprietary interfaces or through a number of member brokerage firms. Qualified participants may access our OTC markets through our Internet-based front-end or, in the case of some of our most liquid markets, through a recognized independent software vendor. We intend to extend our initiatives in this area by continuing to establish multiple points of access with our existing and prospective market participants.

### ***Expand Our Market Data Business***

We will continue to leverage the value of the market data derived from our trade execution, clearing and confirmation system by developing enhancements to our existing information services and creating new market data products. We also publish daily transaction-based indices for the North American spot natural gas and power markets based on data collected from trading activity on our platform. In addition, we sell real-time and historical futures quotes and other futures market data through over 40 data vendors that distribute this information, directly and through various sub-vendors, to tens of thousands of subscribers around the world. We believe that the database of information generated by our platform serves as the single largest repository of energy market data. As a result of the breadth of our global data offerings, we believe that we are well positioned to meet the growing demand for increased availability of energy market data.

### ***Develop New Trading Products and Services***

We continually develop and launch new products designed to meet market demand and the needs of our participants. In February 2006, we successfully launched the ICE West Texas Intermediate, or WTI, Crude futures contract. The addition of WTI crude futures to ICE Futures' suite of energy futures and options contracts brings the world's two most

significant light, sweet crude oil benchmarks together on our trading platform. WTI is the leading benchmark for crude prices in the United States, and Brent is the leading benchmark for pricing crude and refined products produced and consumed outside of the United States. The ICE WTI Crude futures contract has achieved significant volumes since its launch in February 2006, reaching a record high of 178,960 contracts traded on July 13, 2006 out of a record total of 497,656 futures contracts traded on our platform on that date. In February 2006, we announced plans to introduce more than 50 additional cleared contracts on our OTC markets in 2006. To date, we have launched over 50 of these planned cleared contracts and plan to launch additional cleared contracts in the near future. We have also launched two new cash-settled futures products, the ICE New York Harbor Unleaded Gasoline Blendstock, or RBOB, futures contract and the ICE New York Harbor Heating Oil futures contract.

**Table of Contents*****Pursue Select Strategic Opportunities***

We are actively exploring and evaluating strategic acquisitions and alliances to strengthen our current business and grow our company. We intend to pursue strategic transactions and may acquire other businesses, products or technologies to expand our products and services, advance our technology or take advantage of new developments and potential changes in our industry. Strategic transactions may involve acquiring or making a strategic investment in an existing clearinghouse to provide services directly to participants in our futures and OTC markets or establishing our own clearinghouse, or acquiring or entering into agreements with businesses complementary to our market data business or businesses that offer risk management or other complementary services. Any such transactions could happen at any time, could be material to our business and could take any number of forms. There are risks associated with such transactions, including risks associated with the level of required financing, the impact on our stock price and the demands on our management.

**Recent Developments**

Subject to final review and closing of our quarterly financials, we expect to report the following revenues for our second quarter. For the three months ended June 30, 2006, we expect to report consolidated revenues of approximately \$73.3 million, compared to \$37.5 million reported for the same period in 2005. In our futures business segment, we expect to report approximately \$29.4 million in transaction fee revenues for this period compared to \$13.9 million reported for the same period in 2005. In our OTC business segment, we expect to report approximately \$34.1 million in transaction fee revenues for this period compared to \$19.2 million reported for the same period in 2005. We expect to report approximately \$8.7 million in consolidated market data fee revenues for this period compared to \$3.5 million reported for the same period in 2005. Our revenue growth is due principally to increased volumes in our futures and OTC markets.

During April, May and June 2006 and 2005, we reported the following volume and commission levels in our futures and OTC markets, respectively:

	<b>ICE Futures Average Daily Volume (Contracts)</b>	<b>ICE Futures Total Volume (Contracts)</b>	<b>ICE OTC Average Daily Commissions</b>
<b>June 2006</b>	353,058	7,767,267	\$ 507,647
<b>June 2005</b>	172,665	3,798,639	\$ 339,446
<b>Year-over-Year Increase</b>	104.5%	104.5%	49.6%
<b>May 2006</b>	338,792	7,453,433	\$ 583,537
<b>May 2005</b>	159,242	3,184,846	\$ 262,538
<b>Year-over-Year Increase</b>	112.8%	134.0%	122.3%
<b>April 2006</b>	305,285	5,800,412	\$ 483,343
<b>April 2005</b>	136,897	2,874,836	\$ 275,649
<b>Year-over-Year Increase</b>	123.0%	101.8%	75.3%
<b>April to June 2006</b>	333,668	21,021,112	\$ 526,824
<b>April to June 2005</b>	156,481	9,858,321	\$ 293,277
<b>Year-over-Year Increase</b>	113.2%	113.2%	79.6%

You may contact us at our principal executive offices, located at 2100 RiverEdge Parkway, Suite 500, Atlanta, Georgia 30328, or by telephone at (770) 857-4700. You may find us on the Internet at [www.theice.com](http://www.theice.com). Information contained on our website does not constitute a part of this prospectus. We have included our website address only as an inactive textual reference and do not intend it to be an active link to our website.

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**The Offering**

Common stock offered by us	25,000 shares
Common stock offered by the selling shareholders	7,975,000 shares(1)
Total common stock offered	8,000,000 shares(1)
Common stock to be outstanding after the offering	55,588,696 shares(1)(2)
Use of proceeds	We intend to use the net proceeds to pay our costs and expenses associated with conducting this offering. We will not receive any proceeds from the sale of common stock by the selling shareholders.
Voting rights	The holders of our common stock are entitled to one vote per share on all matters submitted to a vote of our common shareholders.
Dividends	We do not anticipate paying any cash dividends in the foreseeable future.
New York Stock Exchange symbol	ICE
Risk Factors	Please read <b>Risk Factors</b> and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.

The number of shares of our common stock to be outstanding after this offering, as set forth above and elsewhere in this prospectus, unless otherwise specified, is based on 55,563,696 shares of our common stock outstanding as of March 31, 2006. This number of shares of common stock to be outstanding excludes:

4,594,392 shares of our common stock reserved for issuance upon the exercise of options under our 2000 Stock Option Plan, subject to outstanding options as of March 31, 2006, at a weighted average exercise price of \$9.53 per share, and 402,424 shares of common stock available for future issuance under such plan;

1,446,674 shares of our common stock reserved for issuance under our 2004 Restricted Stock Plan, subject to outstanding grants as of March 31, 2006, and 28,326 shares of common stock available for future issuance under such plan;

150,184 shares of our common stock reserved for issuance under our 2005 Equity Incentive Plan, subject to outstanding grants as of March 31, 2006, and 1,974,816 shares of common stock available for future issuance under such plan; and

24,865 shares of our common stock reserved for issuance under our 2003 Restricted Stock Deferral Plan for Outside Directors, subject to outstanding grants as of March 31, 2006, and 225,135 shares of common stock available for future issuance under such plan.

(1)



Does not include 1,200,000 shares of common stock that may be sold by the selling shareholders if the underwriters choose to exercise in full their option to purchase additional shares. See Underwriting. Unless otherwise indicated, the information contained in this prospectus assumes that the underwriters' option to purchase additional shares is not exercised.

- (2) Includes 55,585,485 shares of common stock, no shares of Class A Common Stock, Series 1, or Class A1 shares, and 3,211 shares of Class A Common Stock, Series 2, or Class A2 shares. In connection with our initial public offering, we effected a recapitalization, pursuant to which we created a new class of common stock and granted holders of our Class A1 shares and Class A2 shares the right to convert their Class A shares into an equal number of shares of new common stock. All of the Class A1 shares have been converted into shares of new common stock. In this prospectus, common stock refers to shares of new common stock, Class A common stock, or both, as the context may require. See Organization Recapitalization.

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The following tables present our summary consolidated financial data as of and for the dates and periods indicated. We derived the summary consolidated financial data set forth below for the three months ended March 31, 2006 and 2005 and as of March 31, 2006 from our unaudited consolidated financial statements that are included elsewhere in this prospectus. We derived the summary consolidated financial data set forth below for the years ended December 31, 2005, 2004 and 2003 and as of December 31, 2005 and 2004 from our audited consolidated financial statements, which have been audited by Ernst & Young LLP, independent registered public accounting firm, and are included elsewhere in this prospectus.

The summary consolidated financial data presented below is not indicative of our results for any future period. In management's opinion, the unaudited information has been prepared on substantially the same basis as the consolidated financial statements appearing elsewhere in this prospectus and includes all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the unaudited consolidated data. The summary consolidated financial data set forth below should be read in conjunction with our consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

<b>Three Months Ended</b>		<b>Year Ended December 31,</b>		
<b>March 31,</b>		<b>2005</b>		
<b>2006</b>	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>(In thousands, except for share and per share data)</b>				

**Consolidated Statement of Income/(Loss)  
Data**

Revenues(1):					
Transaction fees, net(2)	\$ 43,235	\$ 27,085	\$ 136,976	\$ 90,906	\$ 81,434
Market data fees	6,022	3,482	14,642	12,290	9,624
Other	1,025	1,261	4,247	5,218	2,688
<b>Total revenues</b>	<b>50,282</b>	<b>31,828</b>	<b>155,865</b>	<b>108,414</b>	<b>93,746</b>
Operating expenses:					
Compensation and benefits	10,617	7,886	35,753	30,074	26,236
Professional services	2,690	3,200	10,124	12,312	13,066
Selling, general and administrative	6,134	4,376	18,886	16,610	16,185
Floor closure costs(3)			4,814		
Settlement expense(4)			15,000		
Depreciation and amortization	3,188	3,958	15,083	17,024	19,341
<b>Total operating expenses</b>	<b>22,629</b>	<b>19,420</b>	<b>99,660</b>	<b>76,020</b>	<b>74,828</b>
Operating income	27,653	12,408	56,205	32,394	18,918
Other income, net	1,108	992	3,790	1,328	948
Income before income taxes	28,761	13,400	59,995	33,722	19,866
Income tax expense	9,097	4,530	19,585	11,773	6,489

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Net income(5)	\$ 19,664	\$ 8,870	\$ 40,410	\$ 21,949	\$ 13,377
Redemption adjustments to redeemable stock put(6)			(61,319)		8,378
Deduction for accretion of Class B redeemable common stock(7)					(1,768)
Net income (loss) available to common shareholders	\$ 19,664	\$ 8,870	\$ (20,909)	\$ 21,949	\$ 19,987

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	<b>Three Months Ended</b>		<b>Year Ended December 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
	<b>(In thousands, except for share and per share data)</b>				
Earnings (loss) per common share(8):					
Basic	\$ 0.35	\$ 0.17	\$ (0.39)	\$ 0.42	\$ 0.37
Diluted	\$ 0.33	\$ 0.17	\$ (0.39)	\$ 0.41	\$ 0.37
Weighted average common shares outstanding(8):					
Basic	55,532,693	52,866,295	53,217,874	52,865,108	54,328,966
Diluted	58,972,248	53,063,138	53,217,874	53,062,078	54,639,708

- (1) Includes revenues from related parties generated in the ordinary course of our business. For a presentation and discussion of our revenues attributable to related parties for the three months ended March 31, 2006 and 2005 and for the years ended December 31, 2005, 2004 and 2003, see our consolidated statements of income and note 13 to our consolidated financial statements that are included elsewhere in this prospectus.
- (2) Our transaction fees are presented net of rebates. For a discussion of these rebates, see Management's Discussion and Analysis of Financial Condition and Results of Operations Sources of Revenues Transaction Fees included elsewhere in this prospectus.
- (3) In April 2005, we closed our open-outcry trading floor in London to take advantage of increasing acceptance and adoption of electronic trading, and to maintain and enhance our competitive position. Costs associated with the floor closure were \$4.8 million and are classified as Floor closure costs in the accompanying consolidated statement of income for the year ended December 31, 2005. Floor closure costs include lease terminations for the building where the floor was located, payments made to 18 employees who were terminated as a result of the closure, contract terminations, legal costs, asset impairment and other associated costs. No floor closure costs were incurred in prior periods and no additional closure costs are expected to be incurred. See note 18 to our consolidated financial statements that are included elsewhere in this prospectus.
- (4) In September 2005, we settled the legal action brought by EBS related to alleged patent infringement. Under the settlement agreement, we made a payment to EBS of \$15.0 million, and were released from the legal claims brought against us without admitting liability. The payment was recorded as Settlement expense in the accompanying consolidated statement of income for the year ended December 31, 2005. See note 17 to our consolidated financial statements that are included elsewhere in this prospectus.
- (5) The financial results for the year ended December 31, 2005 include \$4.8 million in expenses incurred relating to the closure of our open-outcry trading floor in London and a \$15.0 million settlement expense related to the payment made to EBS to settle litigation.
- (6)

In connection with our formation, we granted a put option to Continental Power Exchange, Inc., an entity controlled by our chairman and chief executive officer, Jeffrey C. Sprecher. The put option would have required us under certain circumstances to purchase Continental Power Exchange, Inc.'s equity interest in our business at a purchase price equal to the greater of the fair market value of the equity interest or \$5 million. We initially recorded the redeemable stock put at the minimum \$5 million redemption threshold. We adjusted the redeemable stock put to its redemption amount at each subsequent balance sheet date. Adjustments to the redemption amount were recorded to retained earnings or, in the absence of positive retained earnings, additional paid-in capital. In October 2005, we entered into an agreement with Continental Power Exchange, Inc. to terminate the redeemable stock put upon the closing of our initial public offering of common stock in November 2005. We increased the redeemable stock put by \$61.3 million during the year ended December 31, 2005 to reflect an increase in the estimated fair value of our common stock from \$8.00 per share as of December 31, 2004 to \$35.90 per share as of November 21, 2005, the closing date of our initial public offering of common stock and the termination date of the redeemable stock put. The balance of the redeemable stock put on November 21, 2005 was \$78.9 million and was reclassified to additional paid-in capital upon its termination. See note 10 to our consolidated financial statements that are included elsewhere in this prospectus. In

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connection with the termination of the put option, we amended certain registration rights previously granted to Continental Power Exchange, Inc. pursuant to which we may be obligated to pay the expenses of registration, including underwriting discounts up to a maximum of \$4.5 million.

- (7) We redeemed all of our Class B redeemable common stock on November 23, 2004 at a price of \$23.58 per share, for aggregate consideration of \$67.5 million. Upon its issuance on June 18, 2001, we recorded our Class B redeemable common stock at its discounted present value of \$60.2 million. We recorded charges to retained earnings for the accretion of this amount up to the \$67.5 million redemption value of our Class B redeemable common stock over a two-year period ending in June 2003, which was the earliest potential redemption date.
- (8) The impact of outstanding stock options is considered to be antidilutive in the calculation of diluted earnings per share when a net loss available to common shareholders is reported. Our outstanding stock options have not been included in the computation of diluted loss per share for the year ended December 31, 2005 due to the \$20.9 million net loss available to common shareholders as a result of the \$61.3 million charged to retained earnings related to the redeemable stock put adjustments. Therefore, our diluted loss per share is computed in the same manner as basic loss per share for the year ended December 31, 2005.

	As of March 31, 2006(1)	2006	As of December 31, 2005	2004
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(In thousands)

**Consolidated Balance Sheet Data**

Cash and cash equivalents(2)	\$ 8,554	\$ 8,198	\$ 20,002	\$ 61,199
Restricted cash	12,942	12,942	12,578	18,421
Short-term investments(2)	133,893	133,893	111,181	5,700
Total current assets	182,291	181,935	164,015	100,042
Long-term investments(3)	8,618	8,618	2,296	
Total assets	292,051	291,696	265,770	207,518
Total current liabilities	28,249	28,249	26,394	34,440
Revolving credit facility(2)				25,000
Redeemable stock put(4)				17,582
Shareholders equity	257,017	256,661	232,623	132,149

- (1) As adjusted to reflect the sale of shares of our common stock in this offering at a public offering price of \$56.00 per share, after deducting the underwriting discount and our estimated expenses in this offering.
- (2) We received net proceeds from our initial public offering of our common stock in November 2005 of \$60.8 million, after deducting the underwriting discount. We used a portion of these net proceeds to repay all outstanding borrowings under our \$25.0 million revolving credit facility. We also invested a portion of our cash in excess of short-term operating needs in investment-grade marketable debt securities and municipal bonds.
- (3) Represents available-for-sale investments that we intend to hold for more than one year pursuant to our cash investment policy. See note 4 to our consolidated financial statements that are included elsewhere in this prospectus.
- (4) In October 2005, we entered into an agreement with Continental Power Exchange, Inc. to cancel the redeemable stock put upon the closing of the initial public offering of our common stock in November 2005. See note 10 to

our consolidated financial statements that are included elsewhere in this prospectus.

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	<b>Three Months Ended</b>		<b>Year Ended December 31,</b>		
	<b>2006</b>	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
	<b>(In thousands)</b>				
<b>Operating Data:</b>					
Our total average daily exchange fee and commission fee revenues(1)	\$ 677	\$ 438	\$ 538	\$ 353	\$ 294
Our Trading Volume(2):					
Futures volume	16,659	8,739	42,055	35,541	33,341
Futures average daily volume	260	143	166	140	132
OTC volume	19,970	10,859	61,999	30,961	24,260
OTC average daily volume	322	178	247	123	97

(1) Represents the total exchange fee and commission fee revenues for the period divided by the number of trading days during the period.

(2) Volume is calculated based on the number of contracts traded in our markets, which is the number of round turn trades. Each round turn trade represents a matched buy and sell order of one contract. Average daily volume represents the total volume, in contracts, for the period divided by the number of trading days during that period.



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**RISK FACTORS**

*The purchase of our common stock involves significant investment risks. The risks described below comprise the material risks of which we are aware. You should consider these risks carefully before making a decision to invest in our common stock. In addition, there may be risks of which we are currently unaware, or that we currently regard as immaterial based on the information available to us, that later prove to be material. These risks may adversely affect our business, financial condition and operating results. As a result, the trading price of our common stock could decline, and you could lose some or all of your investment.*

**Risks Relating to Our Business**

*We face intense competition from regulated exchanges, voice brokers and other electronic platforms, which could adversely affect our business. If we are not able to compete successfully, our business will not survive.*

The market for commodities trading facilities is highly competitive and we expect competition to intensify in the future. Our current and prospective competitors, both domestically and internationally, are numerous.

Our principal competitor, the New York Mercantile Exchange, Inc., or NYMEX, is a regulated, predominantly open-outcry futures exchange that offers trading in futures products and options on those futures in the crude oil, gas and metals markets, among other commodities markets. NYMEX has also established two electronic platforms: NYMEX Access and ClearPort, although NYMEX recently entered into an agreement with the Chicago Mercantile Exchange, or CME, under which CME will exclusively list NYMEX energy contracts on its electronic trading platform. NYMEX is larger than we are and has greater financial resources, a broader participant base and a longer operating history. NYMEX also operates its own clearinghouse, which may give it greater flexibility in introducing new products and clearing services than we are able to offer through our relationship with LCH.Clearnet, formerly known as the London Clearing House, a clearinghouse based in London. Unlike NYMEX, we may be limited in the number of cleared OTC contracts that we are able to offer, since we must first obtain approval from LCH.Clearnet to offer such products. Our relationship with LCH.Clearnet is also subject to termination by either party upon one year's notice. See We do not own our own clearinghouse and must rely on LCH.Clearnet to provide clearing services for the trading of futures and cleared OTC contracts in our markets. We cannot continue to operate our futures and cleared OTC businesses without clearing services.

NYMEX has taken several actions in the past year to improve its competitive position. In September 2005, NYMEX's board of directors selected General Atlantic, a leading private equity firm, as a minority investment partner to assist NYMEX in evaluating its strategic options, which may include an initial public offering of NYMEX common stock in late 2006. Pursuant to a stock purchase agreement entered into in November 2005, and as amended in February 2006, General Atlantic agreed to invest \$160 million for a 10% equity investment in NYMEX. The transaction was approved by NYMEX stockholders in March 2006, together with a plan to restructure the NYMEX board. The initiatives set forth by General Atlantic and NYMEX include augmenting NYMEX's open outcry trading model and developing opportunities in market data, clearing and complementary electronic trading, which will likely intensify competition between us and NYMEX.

In addition to its alliance with General Atlantic as a strategic partner, NYMEX also undertook initiatives to offer increased access to electronic trading in its futures contracts. In February 2006, NYMEX launched a mini version of the Brent crude futures contract. In April, NYMEX announced that it had entered into a definitive technology services agreement with CME pursuant to which CME, through CME Globex, will become the exclusive electronic trading services provider for NYMEX's energy futures and options contracts. Under this agreement, the CME will host trading

in mini versions of NYMEX's contracts and full size versions of the contracts. Initial trading of NYMEX's energy products on CME Globex began in June 2006 with full roll-out expected by the third quarter of 2006. This agreement is expected to increase access to trading in NYMEX contracts and could increase the liquidity of NYMEX's markets by offering customers electronic trading capabilities that NYMEX previously did not offer its customers. Our business could be materially and adversely affected if our trading volumes decline and we lose liquidity in our markets due to participants opting to trade competing NYMEX contracts. In these circumstances, the markets with the highest trading volumes, and therefore the most liquidity,

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would likely have a growing competitive advantage over other markets. This could put us at a greater disadvantage relative to NYMEX, whose markets are larger and more established than ours.

We also have been involved in litigation with NYMEX, in which NYMEX asserted against us claims of intellectual property infringement related to our use of and reference to NYMEX settlement prices in our cleared OTC swap contracts for Henry Hub natural gas and West Texas Intermediate crude oil. The federal district court granted our motion for summary judgment in September 2005, dismissing the claims filed against us by NYMEX. The case is presently on appeal before the Second Circuit Court of Appeals. If NYMEX is successful in its appeal, and the matter is determined adversely to us in any subsequent trial, our business would be materially and adversely affected. See also Any infringement by us on the intellectual property rights of others could result in litigation and adversely affect our ability to continue to provide, or increase the cost of providing, our products and services and Regulation and Legal Proceedings Legal Proceedings NYMEX Claim of Infringement.

In addition to NYMEX, we also currently compete with:

voice brokers active in the commodities markets, including Amerex, ICAP, Prebon Yamane and Tradition (North America);

other electronic energy trading platforms, such as NGX (a subsidiary of the Toronto Stock Exchange) and Houston Street;

energy futures exchanges, such as European Energy Derivatives Exchange, or Endex (formerly known as Amsterdam Power Exchange), Nord Pool, and Powernext; and

market data vendors, such as Bloomberg, Reuters, Argus and Platts (a division of The McGraw-Hill Companies Inc.).

We may also face additional competition from new entrants to our markets. Competition in the market for commodities trading could increase if new electronic trading platforms or futures exchanges are established, or if existing platforms or exchanges that currently do not trade energy commodities products decide to do so, as CME has done through its agreement with NYMEX to trade NYMEX energy products on CME Globex. Additional competition from new entrants to our markets could negatively impact our trading volumes and profitability.

In addition, some of the exchanges, trading systems, dealers and other companies with which we currently or in the future could compete are or may be substantially larger than we are and have or may have substantially greater financial, technical, marketing and other resources and more diverse revenue streams than we do. Some of these exchanges and other businesses have long standing, well established and, in some cases, dominant positions in their existing markets. They may offer a broader range of products and services and may take better advantage of business opportunities than we do. For example, our competitors may:

respond more quickly to new or evolving opportunities, technologies and participant requirements;

develop services and products similar to or that compete with ours;

develop services and products that are preferred by our participants or new market participants;

price their products and services more competitively or respond more quickly to competitive pressures;

take advantage of efficiencies that result from owning their own clearinghouses, including the ability to bring new cleared products to market faster and offering cross-margining opportunities across products that reduce the cost of capital for participants;

develop and expand their network infrastructure and service offerings more efficiently;

better utilize technology or develop more user-friendly and reliable technology;

consolidate, make strategic acquisitions or form alliances, which may create more liquidity in their markets, cost reductions and better pricing than we offer;

more effectively market, promote and sell their products and services; and

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better leverage existing relationships with participants and alliance partners or exploit better recognized brand names to market and sell their services.

Our ability to continually maintain and enhance our competitiveness and respond to threats from stronger current and potential competitors will have a direct impact on our results of operations. We cannot assure you that we will be able to compete effectively. If our markets, products and services are not competitive, our business, financial condition and operating results will be materially affected. In addition, even if new entrants or existing competitors do not significantly erode our market share, we may be required to reduce significantly the rates we charge for trade execution or market data to remain competitive, which could have a material adverse effect on our profitability.

***Our business is primarily transaction-based, and declines in trading volumes and market liquidity would adversely affect our business and profitability.***

We earn transaction fees for transactions executed in our markets and from the provision of electronic trade confirmation services. Historically, we have also earned transaction fees under order flow agreement shortfalls. We derived 86.0%, 87.9%, 83.9% and 86.9% of our consolidated revenues for the three months ended March 31, 2006, and for the years ended December 31, 2005, 2004 and 2003, respectively, from our transaction-based business. Even if we are able to further diversify our product and service offerings, our revenues and profitability will continue to depend primarily on our transaction-based business. A substantial portion of our revenues are derived from transaction fees generated from trades executed on our trading platform, which are based primarily on the volume of contracts traded. Any decline in our trading volumes in the short-term or long-term will negatively impact our transaction fees and, therefore, our revenues. Accordingly, the occurrence of any event that reduces the amount of transaction fees we receive, whether as a result of declines in trading volumes or market liquidity, adverse response to our all electronic market, reductions in commission rates, regulatory changes, competition or otherwise, will have a significant impact on our operating results and profitability. See also Our business depends in large part on volatility in energy commodity prices and has benefited from record-high oil prices in recent years.

***Our business depends in large part on volatility in energy commodity prices and has benefited from record-high oil prices in recent years.***

Participants in the markets for energy commodities trading pursue a range of trading strategies. While some participants trade in order to satisfy physical consumption needs, others seek to hedge contractual price risk or take speculative or arbitrage positions, seeking returns from price movements in different markets. Trading volume is driven primarily by the degree of volatility the magnitude and frequency of fluctuations in prices of commodities. Higher volatility increases the need to hedge contractual price risk and creates opportunities for speculative or arbitrage trading. Energy commodities markets historically have experienced significant price volatility and in recent years reached record levels. We cannot predict whether this pattern will continue, or for how long, or if this trend will reverse itself. Were there to be a sustained period of stability in the prices of energy commodities, we could experience lower trading volumes, slower growth or even declines in revenues as compared to recent periods.

In addition to price volatility, we believe that the increase in global energy prices, particularly for crude oil, during the past three years has had a positive impact on the trading volume of global energy commodities, including trading volumes in our markets. As oil prices have risen to record levels, we believe that additional participants have entered the markets for energy commodities trading to address their growing risk-management needs or to take advantage of greater trading opportunities. If global crude oil prices decrease or return to the lower levels where they historically have been, it is possible that many market participants, particularly the newer entrants, could reduce their trading activity or leave the trading markets altogether. Global energy prices are determined by many factors, including those listed below, that are beyond our control and are unpredictable. Consequently, we cannot predict whether global

energy prices will remain at their current levels, nor can we predict the impact that these prices will have on our future revenues or profitability.

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Factors that are particularly likely to affect price volatility and price levels, and thus trading volumes, include:

economic, political and market conditions in the United States, Europe, the Middle East and elsewhere in the world;

weather conditions, including hurricanes and other significant weather events that impact production, refining and distribution facilities for oil and natural gas;

the volatility in production volume of the commodities underlying our energy products and markets;

war and acts of terrorism;

legislative and regulatory changes;

credit quality of market participants;

the availability of capital;

broad trends in industry and finance;

the level and volatility of interest rates;

fluctuating exchange rates and currency values; and

concerns over inflation.

Any one or more of these factors may reduce price volatility or price levels in the markets for energy commodities trading, which in turn could reduce trading activity in those markets, including in our markets. Moreover, any reduction in trading activity could reduce liquidity – the ability to find ready buyers and sellers at current prices – which in turn could further discourage existing and potential market participants and thus accelerate any decline in the level of trading activity in these markets. In these circumstances, the markets with the highest trading volumes, and therefore the most liquidity, would likely have a growing competitive advantage over other markets. This could put us at a greater disadvantage relative to our principal competitor, whose markets are larger and more established than ours.

We are unable to predict whether or when these unfavorable conditions may arise in the future or, if they occur, how long or severely they will affect our trading volumes. A significant decline in our trading volumes, due to reduced volatility, lower prices or any other factor, could have a material adverse effect on our revenues, since our transaction fees would decline, and in particular on our profitability, since our revenues would decline faster than our expenses, some of which are fixed. Moreover, if these unfavorable conditions were to persist over a lengthy period of time, and our trading volumes were to decline substantially and for a long enough period, the liquidity of our markets, and the critical mass of transaction volume necessary to support viable markets, could be jeopardized.

***Our revenues depend heavily upon trading volumes in the markets for ICE Brent Crude and ICE Gas Oil futures contracts and OTC North American natural gas and power contracts. A decline in volumes or in our market share in these contracts would jeopardize our ability to remain profitable and grow.***

Our revenues depend heavily on trading volumes in four principal markets: the markets for ICE Brent Crude futures contracts, ICE Gas Oil futures contracts, OTC North American natural gas contracts and OTC North American power

contracts. Trading in these four contracts in the aggregate has represented over 80% of our consolidated revenues for the most recent interim and annual periods. Trading in ICE Brent Crude futures contracts accounted for 26.8%, 26.5%, 29.7% and 30.4% of our consolidated revenues for the three months ended March 31, 2006, and for the years ended December 31, 2005, 2004 and 2003, respectively. Trading in ICE Gas Oil futures contracts accounted for 10.2%, 9.5%, 11.3% and 10.6% of our consolidated revenues for the three months ended March 31, 2006, and for the years ended December 31, 2005, 2004 and 2003, respectively. Trading in OTC North American natural gas contracts accounted for 36.4%, 38.4%, 26.8% and 17.9% of our consolidated revenues for the three months ended March 31, 2006, and for the years ended December 31, 2005, 2004 and 2003, respectively. Trading in OTC North American power contracts accounted for 9.6%, 10.6%, 8.7% and 6.1% of our consolidated revenues for the three months ended March 31, 2006, and for the years ended December 31, 2005,



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2004 and 2003, respectively. Our trading volume or market share in these markets may decline due to a number of factors, including:

- development of competing contracts, and competition generally;
- reliance on technology to conduct trading;
- the relative stability of commodity prices;
- increased availability of electronic trading on competing contracts;
- possible regulatory changes; and
- adverse publicity and government investigations.

A decline in trading volumes in one or more of these contracts could adversely affect our business. In addition, we recently launched trading in the ICE WTI Crude futures contract, which has traded in substantial volumes since it began trading in February 2006. While we only began to derive transaction fees from this contract in the second quarter of 2006, we expect that this contract could represent a significant percentage of our consolidated revenues in future periods. Accordingly, a decline in trading volumes in this contract could adversely affect our future revenues. If our market share in any of these markets declines, participants may decide to trade in other markets and our revenues would decline, which could harm our ability to remain profitable and to grow our business.

***A decline in the production of commodities traded in our markets could reduce our liquidity and adversely affect our revenues and profitability.***

We derived 84.6%, 86.9%, 82.1% and 79.1% of our consolidated revenues for the three months ended March 31, 2006, and for the years ended December 31, 2005, 2004 and 2003, respectively, from exchange fees and commission fees generated from trading in commodity products in our futures and OTC markets. The volume of contracts traded in the futures and OTC markets for any specific commodity tends to be a multiple of the physical production of that commodity. If the physical supply or production of any commodity declines, market participants could become less willing to trade in contracts based on that commodity. For example, the ICE Brent Crude futures contract has been subject to this risk as production of Brent crude oil peaked in 1984 and began steadily falling in subsequent years. We, in consultation with market participants, altered the mechanism for settlement of the ICE Brent Crude futures contract to a mechanism based on the Brent/Forties/Oseberg North Sea oil fields, known as the BFO Index, to ensure that the commodity prices on which its settlement price is based reflect a large enough pool of traders and trading activity so as to be less susceptible to manipulation. Market participants that trade in the ICE Brent Crude futures contract may determine in the future, however, that additional underlying commodity products need to be considered in the settlement of that contract or that the settlement mechanism is not credible. Exchange fees earned from trading in the ICE Brent Crude futures contract accounted for 69.2%, 68.8%, 65.3% and 66.6% of our total revenues from our futures business, net of intersegment fees, for the three months ended March 31, 2006, and for the years ended December 31, 2005, 2004 and 2003, respectively, or 26.8%, 26.5%, 29.7% and 30.4% of our consolidated revenues for the three months ended March 31, 2006, and for the years ended December 31, 2005, 2004 and 2003, respectively. Any uncertainty concerning the settlement of the ICE Brent Crude futures contract, or a decline in the physical supply or production of any other commodity on which are trading products are based, could result in a decline in trading volumes in our markets, adversely affecting our revenues and profitability.

***We may acquire other businesses, products or technologies. If we do, we may be unable to integrate them with our business, or we may impair our financial performance.***

We are actively exploring and evaluating strategic acquisitions and alliances to strengthen our current business and grow our company. We intend to pursue strategic transactions and may acquire other businesses, products or technologies to expand our products and services, advance our technology or take advantage of new developments and potential changes in our industry. Strategic transactions may involve acquiring or making a strategic investment in an existing clearinghouse to provide services directly to participants in our futures and OTC markets or establishing our own clearinghouse, acquiring or entering into an agreement with another exchange or clearinghouse to broaden our product offering, or acquiring or entering into an agreement with a business complementary to

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our market data business or a business that offers risk management or other complementary services. In addition, we may be acquired by another company. Any such transaction could happen at any time, could be material to our business and could take any number of forms. We cannot assure you that we will be able to identify strategic opportunities or negotiate or finance any future acquisition successfully. Even if we do succeed in acquiring a business, product or technology, we have limited experience, other than with respect to ICE Futures, in integrating a significant acquisition into our business. The process of integration may produce unforeseen regulatory and operating difficulties and expenditures and may divert the attention of our management from the ongoing operation of our business. If we make future acquisitions, we may issue shares of our stock that dilute shareholders, expend cash, incur debt, assume contingent liabilities or create additional expenses related to amortizing intangible assets with estimable useful lives, any of which could harm our business, financial condition or results of operations and negatively impact our stock price.

***We do not own our own clearinghouse and must rely on LCH.Clearnet to provide clearing services for the trading of futures and cleared OTC contracts in our markets. We cannot continue to operate our futures and cleared OTC businesses without clearing services.***

We have contracted with LCH.Clearnet to provide clearing services to us for all futures contracts traded in our markets pursuant to a contract for an indefinite term that is terminable by either party upon one year's prior written notice, if not otherwise terminated in accordance with its terms. LCH.Clearnet also provides clearing services to participants in our OTC business that trade designated contracts eligible for clearing. These services are provided pursuant to a separate contract we have entered into with LCH.Clearnet, which continues in force unless either party gives one year's prior written notice.

The interruption or cessation of these clearing services and our inability to make alternate arrangements in a timely manner would have a material adverse effect on our business, financial condition and results of operations. In particular, if our agreement with LCH.Clearnet with respect to our futures business were terminated, and we could not obtain clearing services from another source, we may be unable to operate our futures markets and would likely be required to cease operations in that segment of our business. For the three months ended March 31, 2006, and for the years ended December 31, 2005, 2004 and 2003, transaction fees generated by our futures business, which are also referred to as exchange fees, accounted for 37.7%, 36.7%, 42.0% and 42.6%, respectively, of our consolidated revenues.

If our agreement with LCH.Clearnet relating to our OTC business were terminated, we may be unable to offer clearing services in connection with trading OTC contracts in our markets for a considerable period of time. While we would still be able to offer OTC trading in bilateral contracts, our inability to offer trading in cleared contracts, assuming that no other clearing alternatives were available, would significantly impair our ability to compete, particularly in light of the launch of a competing swaps-to-futures clearing facility by one of our competitors and the ease with which other competitors can introduce new cleared OTC and futures products. For the three months ended March 31, 2006, and for the years ended December 31, 2005, 2004 and 2003, transaction fees derived from trading in cleared OTC contracts accounted for 36.2%, 37.5%, 21.7% and 6.4%, respectively, of our consolidated revenues. Our cleared OTC contracts have become a significant component of our business, and accounted for 68.5%, 69.3%, 47.6% and 13.9% of the total revenues, net of the intersegment fees, generated by our OTC business for the three months ended March 31, 2006, and for the years ended December 31, 2005, 2004 and 2003, respectively.

Our principal competitor owns its own clearing facility and thus does not face the risk of losing the ability to provide clearing services to participants that we do. Moreover, because it owns its own facility, it may be able to provide clearing services more cost-effectively and can extend clearing services to new products faster than we can. For example, our ability to introduce new cleared OTC products is subject to review by and approval of LCH.Clearnet. In addition, all clearing fees are determined by LCH.Clearnet and may be set at prices higher than those set by our

competitors or at levels prohibitive to trading.

LCH.Clearnet could elect for strategic reasons to discontinue providing clearing services to us for our futures and OTC businesses at any time with appropriate notice. For example, LCH.Clearnet could decide to enter into a strategic alliance with a competing exchange or other trading facility. In addition, according to the terms of our contract with LCH.Clearnet with respect to our OTC business, our relationship may be terminated upon a change in

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control of either party. The commodity markets have experienced increased consolidation in recent years and may continue to do so, and strategic alliances and changes in control involving various market participants are possible. LCH.Clearnet is owned by its members, which include banks and other financial institutions whose commercial interests are broader than the clearing services business. We cannot assure you that our futures or OTC businesses would be able to obtain clearing services from an alternate provider on acceptable terms or in sufficient time to avoid or mitigate the material adverse effects described above.

***If we establish our own clearinghouse, or acquire a clearinghouse or an interest in a clearinghouse, we will be exposed to risks related to the cost of establishing or operating a clearinghouse and the risk of defaults by our participants.***

In order to address the competitive disadvantages of not owning our own clearinghouse, we may decide to establish a clearinghouse that would clear transactions executed in our markets. Alternatively, we may decide to purchase or acquire, or make a strategic investment in, an existing clearinghouse for that purpose, although the number of clearing facilities not owned by our competitors is limited. Establishing or acquiring a clearinghouse, and subsequently operating the clearinghouse, would require substantial ongoing expenditures and would consume a significant portion of our management's time, potentially limiting our ability to expand our business in other ways, such as through acquisitions of other companies or the development of new products and services. We cannot assure you that these clearing arrangements would be satisfactory to our participants or would not require substantial systems modifications to accommodate them. The transition to new clearing facilities could also be disruptive and costly to our participants. There are substantial risks inherent in operating a clearinghouse.

In addition, our establishment or acquisition of a clearinghouse may not be successful, and it is possible that the clearinghouse would not generate sufficient revenues to cover the expenses incurred, which would subject us to losses. Moreover, by owning our own clearinghouse, we would be exposed to the credit risk of our participants, to which we are not currently subject, and defaults by our participants could subject us to substantial losses. We would also be subject to additional regulation as a result of owning a clearinghouse.

***Some of our largest shareholders are also our participants and their interests may differ from those of other shareholders.***

Some of our largest shareholders are both our principal shareholders and participants in our markets. As market participants, these shareholders may have strategic interests that are different from, or that could conflict with, your interests. For example, in their capacity as participants, these investors may favor lower fees for trade execution or other concessions that would presumably reduce our revenues, and therefore, the value of your ownership interest in us. Because of their common interests as participants in our markets, these investors may vote in the same way. If these investors vote together on a given matter, they collectively may have the ability to influence the decision, which could involve the election of our directors, the appointment of new management and the potential outcome of any matter submitted to a vote of our shareholders, including mergers, the sale of substantially all of our assets and other extraordinary events. In addition, our largest shareholders, The Goldman Sachs Group, Inc. and Morgan Stanley Capital Group Inc., are affiliated with Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated, respectively, each an underwriter for this offering.

***We are currently subject to regulation in certain of our markets. Failure to comply with existing regulatory requirements, and possible future changes in these requirements or in the current interpretation of these requirements, could adversely affect our business.***

We operate our OTC markets as an exempt commercial market under the Commodity Exchange Act. As such, we are subject to access, reporting and record-keeping requirements of the Commodity Futures Trading Commission, or the

CFTC. However, unlike a futures exchange, our OTC business is not generally regulated by the CFTC. Members of Congress have, at various times over the last several years, introduced legislation seeking to restrict OTC derivatives trading of energy generally and to bring electronic trading of OTC energy derivatives within the direct scope of CFTC regulation. Separate pieces of legislation have recently been introduced in Congress that would (i) provide the CFTC with the authority to require exempt commercial markets to comply with additional regulatory requirements, including the imposition of position limits, and to require some participants on

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exempt commercial markets to file reports on their positions, and (ii) place price controls on natural gas derivatives and make those derivatives tradable only on a designated contract market, which is a regulatory status we do not presently hold. If adopted, this legislation could require us and our participants to operate under heightened regulatory burdens and incur additional costs in order to comply with the additional regulations, and could deter some participants from trading on our OTC platform.

In contrast to our OTC business, ICE Futures, through which we conduct our futures business, operates as a Recognized Investment Exchange in the United Kingdom. As a Recognized Investment Exchange, ICE Futures has regulatory responsibility in its own right and is subject to supervision by the Financial Services Authority pursuant to the Financial Services and Markets Act 2000, or FSMA. ICE Futures is required under the FSMA to maintain sufficient financial resources, adequate systems and controls and effective arrangements for monitoring and disciplining its members. ICE Futures' ability to comply with all applicable laws and rules is largely dependent on its maintenance of compliance, audit and reporting systems. We cannot assure you that these systems and procedures are fully effective.

Electronic trading in futures contracts on ICE Futures is permitted in many jurisdictions, including in the United States, through no-action relief from the local jurisdiction's regulatory requirements. In the United States, direct electronic access to trading in ICE Futures products is offered to U.S. persons based on a series of no-action letters from the CFTC that permit non-U.S. exchanges, referred to as foreign boards of trade, to provide U.S. persons with electronic access to their markets without registration with the CFTC. In connection with the launch of our ICE WTI Crude futures contract in February 2006, the CFTC stated that it will be evaluating the future use of its no-action process. The CFTC held a public hearing on June 27, 2006 to consider the issue of what constitutes a board of trade, exchange, or market located outside the United States for the purposes of exemption from CFTC jurisdiction and regulation. Prior to the hearing, the CFTC issued a request for comment with respect to this issue. The comment period originally expired on July 12, 2006, but has been extended by the CFTC to August 1, 2006. Our ability to offer new futures products under our existing no-action relief could be impacted by the pendency of the CFTC's policy review and any actions taken by the CFTC as a result of its policy review. We cannot predict what level of additional regulation our futures business and future products may be subjected to as a result of this CFTC policy review. If we are unable to offer additional products, or if our offerings of products are subject to additional regulatory constraints, our business could be adversely affected. If the CFTC revokes or makes substantial revisions to the no-action process or to the no-action decisions upon which we currently rely, ICE Futures may be required to comply with additional regulation in the United States, including the possibility of being required to register as a regulated futures exchange in the United States, known as a designated contract market. Requiring ICE Futures to comply with regulation in addition to that presently required by its primary regulator, the FSA, would be costly and time consuming and could subject ICE Futures to duplicative or inconsistent regulatory requirements. Failure to comply with our current regulatory requirements and regulatory requirements that may be imposed on us in the future could subject us to significant penalties, including termination of our ability to conduct our regulated businesses.

Additional legislative and regulatory initiatives, either in the United States, the United Kingdom or elsewhere, could affect one or more of the following aspects of our business or impose one or more of the following requirements:

- the manner in which we communicate and contract with our participants;
- the demand for and pricing of our products and services;
- the tax treatment of trading in our products;
- a requirement that we maintain minimum regulatory capital on hand;

a requirement that we exercise regulatory oversight of our OTC participants, and assume responsibility for their conduct;

our financial and regulatory reporting practices;

our record-keeping and record-retention procedures;



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the licensing of our employees; and

the conduct of our directors, officers, employees and affiliates.

The implementation of new regulations, or changes in or unfavorable interpretations of existing regulations by courts or regulatory bodies could require us to incur significant compliance costs and impede our ability to operate, expand and enhance our electronic platform as necessary to remain competitive and expand our business. Regulatory changes inside or outside the United States or the United Kingdom could materially and adversely affect our business, financial condition and results of operations.

***The energy commodities trading industry in North America has been subject to increased regulatory scrutiny in the recent past, and we face the risk of changes to our regulatory environment in the future, which may diminish trading volumes on our electronic platform.***

Our OTC business is currently subject to limited regulatory oversight due to the types of market participants eligible to trade in our OTC markets. As an exempt commercial market, we are not subject to registration as an exchange nor to the type of ongoing comprehensive oversight to which exchanges are subject. Instead, we are required to comply with access, reporting and record-keeping requirements of the CFTC. In addition, our futures business is subject to primary regulation by the FSA, and offers its products for trading in the United States pursuant to a series of no-action letters, which effectively exempts it from CFTC jurisdiction and regulation.

In past years, and again recently, the market for OTC energy commodities trading has been the subject of increased scrutiny by regulatory and enforcement authorities due to a number of highly publicized problems involving energy commodities trading companies. This increased scrutiny has included investigations by the Department of Justice, the Federal Energy Regulatory Commission and the Federal Trade Commission of alleged manipulative trading practices, misstatements of financial results, and other matters.

Furthermore, in response to the rise in energy commodity prices in recent years and allegations that manipulative trading practices by certain market participants may have contributed to the rise in prices, legislative and regulatory authorities at both the federal and state levels, as well as political and consumer groups, have called for increased regulation and monitoring of the OTC energy commodities markets and a review of the no-action process pursuant to which our futures products are presently offered to market participants in the United States. For example, regulators in some states have publicly questioned whether some form of regulation, including price controls, should be re-imposed in OTC commodities markets, particularly in states where power markets were deregulated in recent years. In addition, members of Congress have, at various times in the last several years, introduced legislation seeking to restrict OTC derivatives trading of energy contracts generally, to bring electronic trading of OTC energy derivatives within the direct scope of CFTC regulation, to impose position limits on trading in energy commodities, and to provide for expanded CFTC surveillance of both OTC and futures markets and the people and entities that trade in those markets. Most recently, the United States Senate Permanent Subcommittee on Investigations issued a report regarding its investigation into the role of market speculation in rising oil and gas prices in which it specifically refers to our company. If any of these measures are implemented, they could reduce demand for our products, which will adversely affect our business.

Also, on January 19, 2006, the Federal Energy Regulatory Commission issued final rules under the Energy Policy Act of 2005 clarifying the agency's authority over market manipulation by all electricity and natural gas sellers, transmission owners and pipe lines, regardless of whether they are regulated by the Federal Energy Regulatory Commission. In addition, the Energy Policy Act of 2005 granted the Federal Energy Regulatory Commission the power to prescribe rules related to the collection and government dissemination of information regarding the

availability and price of natural gas and wholesale electric energy. These rules and possible future exercises of the Federal Energy Regulatory Commission's rulemaking powers could adversely affect the trading of certain of our products and adversely impact demand for our data products in the United States or have other material adverse impacts on our business.

It is possible that future unanticipated events in the markets for energy commodities trading will lead to additional regulatory scrutiny and changes in the level of regulation to which our business is subject. Increased regulation of our participants or our markets could materially adversely affect our business. The imposition of

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stabilizing measures such as price controls in energy commodities markets could substantially reduce or potentially even eliminate trading activity in affected markets. New laws and rules applicable to our business could significantly increase our regulatory compliance costs, delay or prevent us from introducing new products and services as planned and discourage some market participants from using our electronic platform. New allegations of manipulative trading by market participants could subject us to regulatory scrutiny and possibly fines or restrictions on our business, as well as adverse publicity. All of this could lead to lower trading volumes and transaction fees, higher operating costs and lower profitability or losses.

***If we are unable to keep up with rapid changes in technology and participant preferences, we may not be able to compete effectively.***

To remain competitive, we must continue to enhance and improve the responsiveness, functionality, accessibility and reliability of our electronic platform and our proprietary technology. The financial services industry is characterized by rapid technological change, change in use patterns, change in client preferences, frequent product and service introductions and the emergence of new industry standards and practices. These changes could render our existing proprietary technology uncompetitive or obsolete. Our ability to pursue our strategic objectives, including increasing trading volumes on our platform following our transition to an all-electronic marketplace, as well as our ability to continue to grow our business, will depend, in part, on our ability to:

enhance our existing services and maintain and improve the functionality and reliability of our electronic platform, in particular, reducing network downtime;

develop or license new technologies that address the increasingly sophisticated and varied needs of our participants;

anticipate and respond to technological advances and emerging industry practices on a cost-effective and timely basis; and

continue to attract and retain highly skilled technology staff to maintain and develop our existing technology and to adapt to and manage emerging technologies.

We cannot assure you that we will successfully implement new technologies or adapt our proprietary technology to our participants' requirements or emerging industry standards in a timely and cost-effective manner. Any failure on our part to remain abreast of industry standards in technology and to be responsive to participant preferences could cause our market share to decline and negatively impact our profitability.

***Our operating results are subject to significant fluctuations due to a number of factors. As a result, you will not be able to rely on our operating results in any particular period as an indication of our future performance.***

A number of factors beyond our control may contribute to substantial fluctuations in our operating results, particularly in our quarterly results. As a result of the factors described in the preceding risk factors, you will not be able to rely on our operating results in any particular period as an indication of our future performance. The energy commodities trading industry has historically been subject to variability in trading volumes due primarily to five key factors. These factors include geopolitical events, weather, real and perceived supply and demand imbalances in the underlying energy commodities, the number of trading days in a quarter and seasonality. As a result of one or more of these factors, trading volumes in our markets could decline, possibly significantly, which would adversely affect our revenues derived from transaction fees. If we fail to meet securities analysts' expectations regarding our operating performance, the price of our common stock could decline substantially. See also Risks Relating to our Common Stock. The market price of our common stock may fluctuate significantly, and it may trade at prices below the

offering price.

*Our cost structure is largely fixed. If our revenues decline and we are unable to reduce our costs, our profitability will be adversely affected.*