The growth of the options market blossomed to new heights in 2006. More than two billion contracts were traded by year end, a historic achievement produced by increasing enthusiasm for the options product.
Our ‘AAA’ credit rating reflects the strength of our guarantee, assuring confidence to our members while promoting stability and financial integrity in the marketplace. Innovative technology and a sound operational infrastructure provide the support system to sustain a flourishing industry.
OCC prides itself on more than three decades of unparalleled customer service. The ability to offer guidance, resources and leadership on industry initiatives stems from our unique, neutral position as a common clearing organization.
By focusing on our core business – clearing, settlement, risk management – we help nurture this growing and dynamic environment. We look forward to a new year, a new beginning, and we are prepared for what the future brings.
excellence growth reliability excellence growth reliability excellence to be continued
our background

Founded in 1973, The Options Clearing Corporation (OCC) is the largest clearing organization in the world for options. Operating under the jurisdiction of the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC), OCC issues and clears U.S.-listed options and futures on a number of underlying financial assets including common stocks, currencies and stock indexes.

OCC’s clearing membership consists of approximately 115 of the largest U.S. broker-dealers, U.S. futures commission merchants and non-U.S. securities firms representing both professional traders and public customers. The stockholder exchanges share equal ownership of OCC. This ownership, along with a clearing member-dominated Board of Directors, ensures a continuing commitment to servicing the needs of OCC’s participant exchanges, clearing members and their customers. OCC also provides clearing services to several security futures and futures markets.

our mission

The Options Clearing Corporation is a customer-driven clearing organization that delivers world-class risk management, clearance and settlement services at a reasonable cost; and provides value-added services that advocate and grow the markets we serve.

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### options volume

<table>
<thead>
<tr>
<th>Exchange</th>
<th>Total Contracts</th>
<th>Equity</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AMEX</strong></td>
<td>197,045,745</td>
<td>186,995,065</td>
<td>10,050,680</td>
</tr>
<tr>
<td><strong>BOX</strong></td>
<td>94,390,602</td>
<td>94,341,743</td>
<td>48,859</td>
</tr>
<tr>
<td><strong>CBOE</strong></td>
<td>674,735,348</td>
<td>517,138,669</td>
<td>157,596,679</td>
</tr>
<tr>
<td><strong>ISE</strong></td>
<td>591,961,518</td>
<td>583,749,099</td>
<td>8,212,419</td>
</tr>
<tr>
<td><strong>NYSE ARCA</strong></td>
<td>196,586,356</td>
<td>196,586,356</td>
<td></td>
</tr>
<tr>
<td><strong>PHLX</strong></td>
<td>273,128,017</td>
<td>265,370,986</td>
<td></td>
</tr>
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</table>

### futures volume

<table>
<thead>
<tr>
<th>Exchange</th>
<th>Total Contracts</th>
<th>Index Futures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CFE</strong></td>
<td>478,424</td>
<td>478,424</td>
</tr>
<tr>
<td><strong>ONE</strong></td>
<td>7,922,465</td>
<td>7,922,465</td>
</tr>
<tr>
<td><strong>OCC</strong></td>
<td>8,400,889</td>
<td>478,424</td>
</tr>
</tbody>
</table>

### exchange market share

<table>
<thead>
<tr>
<th>Exchange</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMEX</td>
<td>9.72%</td>
</tr>
<tr>
<td>BOX</td>
<td>4.66%</td>
</tr>
<tr>
<td>CBOE</td>
<td>33.27%</td>
</tr>
<tr>
<td>ISE</td>
<td>29.19%</td>
</tr>
<tr>
<td>NYSE ARCA</td>
<td>9.69%</td>
</tr>
<tr>
<td>PHLX</td>
<td>13.47%</td>
</tr>
</tbody>
</table>
message to the membership

In 2006, the options industry continued to experience soaring growth, culminating in the passing of the 2 billion contract mark on December 22. By year end, 2,027,847,586 options contracts were traded on the nation’s options exchanges, setting a new annual record for the fourth consecutive year. The Options Clearing Corporation (OCC), along with the exchanges, member firms and other market participants, celebrated this tremendous milestone during a year that saw many other remarkable achievements.

Building on the momentum of recent years, 2006 set the pace early on when nearly 14.9 million options contracts were traded on January 20, making it the highest single trading day. The year eventually yielded the top 10 volume days on record. Total options volume increased 35 percent over 2005 and nearly doubled the volume in 2004, the same year that options volume first topped 1 billion contracts. Daily options volume averaged 8.1 million contracts, a remarkable leap over last year’s 5.9 million contracts. Open interest peaked with more than 260 million contracts outstanding on December 15. The more than 2 billion contracts cleared by OCC in 2006 represents an annual underlying asset value of $27.6 trillion.
While the markets forged ahead, OCC continued to keep costs low for our member firms. In September, our Board of Directors approved a new clearing fee schedule for the balance of the year that lowered the fee 30 percent for trades between 1-500 contracts, the level at which most transactions take place. This was the fourth fee reduction since 2004, and has reduced OCC’s fees more than 60 percent since the beginning of 2004. OCC ended fiscal 2006 with net income before refunds of $45,229,389, all of which was refunded to our clearing members. Cumulative refunds and discounts since 1974 amount to more than $665.8 million.

OCC has long believed that innovative technology provides the roots that anchor our core business operations. For that reason, we are committed to advancing our clearing and risk management systems to support the needs of the industry. In 2006, we fulfilled this commitment by performing a number of system enhancements, most notably the implementation of STANS (System for Theoretical Analysis and Numerical Simulations), our new risk management methodology. The latest release to our state-of-the-art ENCORE clearing system, STANS more precisely measures the risk exposure of clearing member portfolios. STANS replaces our Theoretical Intermarket Margin System and distinguishes OCC as the first clearinghouse to implement a Monte Carlo simulation approach to margining. By providing more robust risk management capabilities, STANS should improve the financial stability of the derivatives industry, benefiting all market participants.

System enhancements extended beyond the options markets. Improvements in our futures clearing services helped support the record futures volume achieved this year, with total contracts reaching 8,400,889, a 47 percent increase over 2005.

OCC maintains various communications forums to better serve our member firms and exchanges. Discussions from Operations Roundtable meetings prompted several key initiatives this year, all of which improved processing schedules and reduced cost and risk for the entire membership. These activities included reducing the Exercise-by-Exception threshold to $.05 and working with our participant exchanges to speed implementation of real-time trade reporting to OCC. Our Technology Subcommittee realized progress toward more streamlined processing using the real-time nature of ENCORE and the outbound Data Distribution Services (DDS) and Financial Information eXchange Markup Language (FIXML) messages which will continue into 2007.
The five-year anniversary of September 11 and the threat of a pandemic served as reminders that we must continually prepare for potential business disruptions. Further enhancing our ability to operate in the event of a disaster, OCC added a business recovery center near our Chicago headquarters from which critical business groups and executive staff can operate during an emergency. Vigorous disaster recovery tests on internal systems and processes were conducted nearly once a month, each time challenging different aspects of our critical functionalities. OCC also played a leadership role in an industry-wide test in October, which confirmed our ability to connect, transmit and receive data from back-up sites.

OCC was an active leader in the Financial Services Sector Coordinating Council for Critical Infrastructure Protection and Homeland Security (FSSCC). In June, Secretary of the Treasury John Snow appointed OCC Management Vice Chairman George S. Hender FSSCC Chairman. Under Hender’s guidance, FSSCC addressed issues relating to physical and cyber security risks to our nation’s financial infrastructure, particularly focusing on the pandemic threat. The formation of the Infectious Disease Forum within FSSCC offered a quarterly opportunity for banks and securities firms to collaborate and coordinate pandemic planning issues.

Locally, we continue to work with ChicagoFIRST, an industry coalition dedicated to enhancing the resiliency of Chicago’s financial sector through private-public partnerships. At the organization’s three-year anniversary in June, Mayor Richard M. Daley commended the collective achievements of ChicagoFIRST and the City of Chicago and their efforts to maintain Chicago’s economic resilience in the face of a disaster.

OCC once again received a ‘AAA’ counterparty credit rating from Standard & Poor’s. Attaining this annual rating every year since 1993 is made possible by the comprehensive system of financial safeguards backing our guarantee function. These safeguards include rigorous initial and ongoing membership standards, prudent margin requirements and a substantial clearing fund.

Our Cross-Margin program continued to benefit participating members by allowing for financial flexibility and savings. The Cross-Margin program, which recognizes the offsetting value of hedging positions maintained by firms at multiple clearing-houses, produced an average daily reduction in margin requirements of $2 billion this year, an 84.5 percent savings per participant.
day after day, year after year, consistent reliability
As a customer-driven organization, OCC strives to provide value-added services to our members and exchanges. Our unique, neutral position enables us to collaborate on efforts that help support the derivatives industry to the benefit of the investor community. One such effort is the Options Symbology initiative. With the plan receiving Board approval in December, this multi-year project will replace the alphabetical codes and fractional pricing that is currently used to represent listed options contracts with an explicit series key and decimal strike prices. When implemented, this will benefit the industry by reducing processing errors while providing flexibility in new product development.

OCC continues to lend its guidance on the FIXML initiative, which, once completed, will provide the industry with standardized messaging and real-time trade position reconciliation. We also remain supportive of innovative exchange products, including the successful launch in September of options with quarterly expirations.

Entering its fifteenth year, The Options Industry Council (OIC) is dedicated to educating investors and financial advisors about listed options. A shared effort of the options exchanges and OCC, OIC broadened its educational efforts this year by introducing several cost-effective new offerings, including hugely successful on-demand podcasts and webcasts, an interactive DVD and a Web site for institutional investors, www.OICoptions.com. OIC also partnered with the Futures Industry Association (FIA) to host the first New York Equity Options Conference and two Investor Education Day events. OIC’s governance was expanded to include firm representatives on the existing committee of exchange and OCC representatives, leading to the formation of the OIC Roundtable in May.

Extending its reach internationally, OIC gained a better understanding of options use overseas by commissioning a survey of European financial market participants. Findings from the survey, which were released in September, indicated that 15 to 20 percent of U.S. exchange-traded options volume originates from Europe. As a result, OIC will form a European User Group to gain input from and ensure open lines of communication with this audience. OIC also participated in various conferences and seminars in the Pacific Rim.
reaching new heights of growth and potential
On the home front, OCC’s Washington, D.C. office focused on regulatory and legislative issues affecting the industry. Work proceeded on both CFTC reauthorization and customer portfolio margining. OCC submitted a supportive comment letter on the New York Stock Exchange and Chicago Board Options Exchange rule filings to implement the latter, an important advance for the industry. In addition, our Washington representatives briefed congressional staff on the need for legislative changes to the Securities Investor Protection Act (SIPA) to support cross-margining in customer accounts. OCC conducted efforts on behalf of the options exchanges, opposing the SEC’s proposed amendments to the options market maker exception in Regulation SHO. With the support of OIC, we organized educational events for Congressional and SEC Market Regulation staff.

Dr. Richard R. Lindsey, President, Bear, Stearns Securities Corp., succeeded outgoing director Dennis W. Zank, President, Raymond James & Associates, Inc., as Member Vice Chairman. The Board also welcomed new members, William D. Felder, President, SWS Group, Inc., Bryce B. Engel, Executive Vice President and Chief Brokerage Operations Officer, TD Ameritrade Holding Corporation, and Jonathan B. Werts, Vice President, Derivatives Products, NYSE Group.

The achievements of 2006 were built upon a strong, deep-rooted system that can support the demands of an evolving financial services environment. OCC is proud to have worked with the entire industry for yet another banner year. We are committed to delivering reliable clearance and settlement services, innovative risk management, and excellence in customer service to support continued growth for years to come.
an abundance of resources,
delivering excellence in service
board of directors
As of December 31, 2006

WAYNE P. LUTHRINGSHAUSEN
Chairman of the Board and Chief Executive Officer

RICHARD R. LINDSEY
Member Vice Chairman, OCC President Bear, Stearns Securities Corp.

MICHAEL T. BICKFORD
Senior Vice President – Options American Stock Exchange LLC

FRANK J. BISIGNANO
Chief Administrative Officer JP Morgan Chase

PAUL J. BRODY
Chief Financial Officer Interactive Brokers LLC/Timber Hill LLC

DANIEL B. COLEMAN
Managing Director and Head of Equities for the Americas UBS Investment Bank

JOHN P. DAVIDSON III
Managing Director – Equity Infrastructure Morgan Stanley Served until March 2006

BRYCE B. ENGEI
Executive Vice President and Chief Brokerage Operations Officer TD Ameritrade Holding Corporation Commenced service March 2006

WILLIAM D. FELDER
President SWS Group, Inc. Commenced service April 2006
As of December 31, 2006

BOARD COMMITTEES

AUDIT COMMITTEE
Mitchell J. Lieberman
(Chairman)
Paul J. Brody
Daniel B. Coleman
Hans R. Stoll
Cynthia Zeltwanger

MEMBERSHIP/RISK
COMMITTEE
Wayne P. Luthringshausen
(Chairman)
Paul J. Brody
Bryce B. Engel
William D. Felder
Richard R. Lindsey
Hans R. Stoll
Gary E. Yetman

PERFORMANCE
COMMITTEE
Richard R. Lindsey
(Chairman)
Frank J. Bisignano
Edward J. Joyce
Mitchell J. Lieberman
Wayne P. Luthringshausen
Gary E. Yetman

2007-2008 NOMINATING
COMMITTEE
Edward F. Anselmin
Swiss American Securities Inc.
Michael DiBenedetto
Banc of America Securities LLC
William C. Floersch
Fortis Clearing Americas LLC
Robert Gianone
Equitec Proprietary Markets/Compass Professional
Services, LLC
Anthony D. McCormick
Charles Schwab & Co., Inc.
Philip A. Pendergraft
Penson Financial Services, Inc.

TERM EXPIRATIONS
(MEMBER DIRECTORS &
PUBLIC DIRECTOR)
APRIL 2007
Daniel B. Coleman
Bryce B. Engel
Gary E. Yetman
APRIL 2008
Mitchell J. Lieberman
Richard R. Lindsey
Hans R. Stoll
Cynthia Zeltwanger
APRIL 2009
Frank J. Bisignano
Paul J. Brody
William D. Felder

SENIOR OFFICERS
Wayne P. Luthringshausen
Chairman of the Board and
Chief Executive Officer
George S. Hender
Management Vice Chairman
Michael E. Cahill
President and Chief
Operating Officer
Gina McFadden
Executive Vice President –
Business Operations Group
William H. Navin
Executive Vice President,
General Counsel and
Secretary
John W. Von Stein
Executive Vice President
and Chief Information
Officer
Frank J. Larocca
Senior Vice President,
Chief Financial Officer
and Treasurer
Michael W. McClain
Senior Vice President –
Production Operations
Susan Milligan
Senior Vice President –
Government Relations
and Communications
Michael A. Walinskas
Senior Vice President –
Risk Management and
Membership
## Statements of Financial Condition

**The Options Clearing Corporation**

<table>
<thead>
<tr>
<th>December 31</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$44,280,870</td>
<td>$35,587,819</td>
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<tr>
<td>Accounts receivable</td>
<td>19,047,748</td>
<td>20,022,763</td>
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<tr>
<td>Exchange billing receivable [Note 10]</td>
<td>42,787,803</td>
<td>30,321,190</td>
</tr>
<tr>
<td>Due from participant exchanges [Note 10]</td>
<td>1,155,685</td>
<td>874,394</td>
</tr>
<tr>
<td>Other current assets</td>
<td>21,929,185</td>
<td>18,382,819</td>
</tr>
<tr>
<td>Deferred income taxes [Note 11]</td>
<td>735,643</td>
<td>685,973</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>129,936,934</td>
<td>105,874,958</td>
</tr>
<tr>
<td><strong>Property and Equipment:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data processing equipment, furniture and other</td>
<td>8,023,108</td>
<td>7,712,024</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>7,051,503</td>
<td>6,674,242</td>
</tr>
<tr>
<td>Software</td>
<td>102,812,998</td>
<td>99,462,109</td>
</tr>
<tr>
<td><strong>Total property and equipment</strong></td>
<td>117,887,609</td>
<td>113,848,375</td>
</tr>
<tr>
<td>Accumulated depreciation and amortization</td>
<td>(83,455,921)</td>
<td>(64,002,179)</td>
</tr>
<tr>
<td><strong>Property and equipment – net</strong></td>
<td>34,431,688</td>
<td>49,846,196</td>
</tr>
<tr>
<td>Clearing fund deposits [Note 4]</td>
<td>2,917,754,000</td>
<td>2,440,338,000</td>
</tr>
<tr>
<td>Other assets [Notes 8, 12]</td>
<td>25,266,758</td>
<td>22,424,527</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>$3,107,389,380</td>
<td>$2,618,483,681</td>
</tr>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$4,887,946</td>
<td>$5,109,225</td>
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<tr>
<td>SEC transaction fees payable</td>
<td>25,028,422</td>
<td>25,010,002</td>
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<tr>
<td>Refundable clearing fees [Note 7]</td>
<td>25,229,389</td>
<td>29,648,466</td>
</tr>
<tr>
<td>Exchange billing payable [Note 10]</td>
<td>42,787,803</td>
<td>30,321,190</td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>15,148,316</td>
<td>7,587,550</td>
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<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>113,081,876</td>
<td>97,676,433</td>
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<tr>
<td>Clearing fund deposits [Note 4]</td>
<td>2,917,754,000</td>
<td>2,440,338,000</td>
</tr>
<tr>
<td>Other liabilities [Note 12]</td>
<td>24,519,542</td>
<td>40,564,659</td>
</tr>
<tr>
<td>Deferred income tax liability [Note 11]</td>
<td>3,023,293</td>
<td>1,784,341</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td>3,058,378,711</td>
<td>2,580,363,433</td>
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<tr>
<td>Commitments and contingent liabilities [Notes 2, 3, 4, 9, 14]</td>
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</tr>
<tr>
<td><strong>Shareholders’ Equity:</strong> [Note 5]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>600,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Paid-in capital</td>
<td>2,059,999</td>
<td>2,059,999</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>49,161,414</td>
<td>49,301,384</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss [Note 12]</td>
<td>(2,477,411)</td>
<td>(13,507,802)</td>
</tr>
<tr>
<td>(net of tax benefit of $1,666,604 in 2006 and $9,020,198 in 2005)</td>
<td></td>
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<tr>
<td><strong>Total</strong></td>
<td>49,344,002</td>
<td>38,453,581</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>(333,333)</td>
<td>(333,333)</td>
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<tr>
<td><strong>Total Shareholders’ Equity</strong></td>
<td>49,010,669</td>
<td>38,120,248</td>
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<tr>
<td><strong>Total Liabilities and Shareholders’ Equity</strong></td>
<td>$3,107,389,380</td>
<td>$2,618,483,681</td>
</tr>
</tbody>
</table>

See Notes to Financial Statements
## Statements of Income and Retained Earnings

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clearing fees Note 7</td>
<td>$105,581,467</td>
<td>$101,808,172</td>
<td>$115,316,532</td>
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<tr>
<td>Investment income Note 8</td>
<td>9,010,062</td>
<td>8,575,949</td>
<td>2,408,712</td>
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<tr>
<td>Data processing fees and services</td>
<td>6,202,980</td>
<td>6,388,206</td>
<td>6,346,206</td>
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<tr>
<td>Other</td>
<td>2,644,205</td>
<td>2,087,885</td>
<td>1,968,486</td>
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<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>123,438,714</strong></td>
<td><strong>118,860,212</strong></td>
<td><strong>126,039,936</strong></td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Employee costs</td>
<td>55,528,793</td>
<td>51,531,663</td>
<td>53,760,398</td>
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<tr>
<td>Data processing costs</td>
<td>24,447,941</td>
<td>25,529,403</td>
<td>27,686,929</td>
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<tr>
<td>Professional fees and outside services</td>
<td>8,691,732</td>
<td>8,748,194</td>
<td>10,356,831</td>
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<tr>
<td>General and administrative</td>
<td>9,287,915</td>
<td>9,123,723</td>
<td>10,083,013</td>
</tr>
<tr>
<td>Rental, other than data processing equipment</td>
<td>6,028,591</td>
<td>5,655,139</td>
<td>7,679,437</td>
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<tr>
<td>Depreciation and amortization</td>
<td>19,453,742</td>
<td>18,272,090</td>
<td>16,473,328</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>123,438,714</strong></td>
<td><strong>118,860,212</strong></td>
<td><strong>126,039,936</strong></td>
</tr>
<tr>
<td>Income Before Income Taxes</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Provision (Benefit) for Income Taxes: Note 11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal – current</td>
<td>5,547,868</td>
<td>2,163,498</td>
<td>(3,087,893)</td>
</tr>
<tr>
<td>State and local – current</td>
<td>756,412</td>
<td>(437,300)</td>
<td>180,392</td>
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<tr>
<td>Federal – deferred</td>
<td>(5,450,577)</td>
<td>(2,308,059)</td>
<td>(879,435)</td>
</tr>
<tr>
<td>State and local – deferred</td>
<td>(713,733)</td>
<td>144,167</td>
<td>(125,735)</td>
</tr>
<tr>
<td><strong>Provision (Benefit) for Income Taxes</strong></td>
<td><strong>139,970</strong></td>
<td><strong>(437,694)</strong></td>
<td><strong>(3,912,671)</strong></td>
</tr>
<tr>
<td><strong>Net Income (Loss)</strong></td>
<td>(139,970)</td>
<td>437,694</td>
<td>3,912,671</td>
</tr>
<tr>
<td>Retained Earnings, Beginning of Year</td>
<td>49,301,384</td>
<td>48,863,690</td>
<td>44,951,019</td>
</tr>
<tr>
<td>Retained Earnings, End of Year</td>
<td>$49,161,414</td>
<td>$49,301,384</td>
<td>$48,863,690</td>
</tr>
<tr>
<td>Basic earnings (loss) per Class B common share Notes 1, 5</td>
<td>$(5.60)</td>
<td>$17.51</td>
<td>$156.51</td>
</tr>
</tbody>
</table>

See Notes to Financial Statements
## STATEMENTS OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th>December 31</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (loss)</td>
<td>$(139,970)</td>
<td>$437,694</td>
<td>$3,912,671</td>
</tr>
<tr>
<td>Minimum pension liability adjustment, net of tax provision (benefit) of $7,353,594 in 2006, ($1,644,800) in 2005, and $1,382,800 in 2004</td>
<td>11,030,391</td>
<td>(2,467,200)</td>
<td>2,029,200</td>
</tr>
<tr>
<td>Comprehensive Income (Loss)</td>
<td>$10,890,421</td>
<td>$(2,029,506)</td>
<td>$5,941,871</td>
</tr>
</tbody>
</table>

## STATEMENTS OF CASH FLOWS

<table>
<thead>
<tr>
<th>December 31</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$(139,970)</td>
<td>$437,694</td>
<td>$3,912,671</td>
</tr>
<tr>
<td>Adjustments to reconcile net income (loss) to net cash flows from operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gains</td>
<td>(1,648,244)</td>
<td>(1,531,889)</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>19,453,742</td>
<td>18,272,090</td>
<td>16,473,328</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>1,189,282</td>
<td>(3,808,693)</td>
<td>377,630</td>
</tr>
<tr>
<td>Write off of leasehold improvements  Note 9</td>
<td>—</td>
<td>—</td>
<td>906,792</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable and other receivables</td>
<td>(11,772,889)</td>
<td>(6,578,706)</td>
<td>(1,369,462)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(3,546,366)</td>
<td>(4,540,360)</td>
<td>(5,710,785)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(31,106)</td>
<td>(1,417,726)</td>
<td>(8,068,412)</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(7,216,817)</td>
<td>(34,181,938)</td>
<td>(12,282,328)</td>
</tr>
<tr>
<td>Sales of investments</td>
<td>6,053,936</td>
<td>33,057,989</td>
<td>18,091,266</td>
</tr>
<tr>
<td>Accounts payable, accrued expenses and other payables</td>
<td>14,809,795</td>
<td>22,479,958</td>
<td>1,155,393</td>
</tr>
<tr>
<td>Refundable clearing fees</td>
<td>(4,419,077)</td>
<td>7,217,702</td>
<td>(10,676,698)</td>
</tr>
<tr>
<td>Net Cash Flows From Operating Activities</td>
<td>12,732,286</td>
<td>29,406,121</td>
<td>2,809,395</td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(4,039,235)</td>
<td>(6,973,207)</td>
<td>(10,395,152)</td>
</tr>
<tr>
<td>Other – net</td>
<td>—</td>
<td>—</td>
<td>(217,017)</td>
</tr>
<tr>
<td>Net Cash Flows From Investing Activities</td>
<td>(4,039,235)</td>
<td>(6,973,207)</td>
<td>(10,612,169)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>8,693,051</td>
<td>22,432,914</td>
<td>(7,802,774)</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>35,587,819</td>
<td>13,154,905</td>
<td>20,957,679</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>$44,280,870</td>
<td>$35,587,819</td>
<td>$13,154,905</td>
</tr>
<tr>
<td>Supplemental disclosure of cash flow information:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid for income taxes</td>
<td>$3,860,552</td>
<td>$3,191,949</td>
<td>$12,817</td>
</tr>
</tbody>
</table>

See Notes to Financial Statements
Years ended December 31, 2006, 2005 and 2004

Note 1. Business and Summary of Significant Accounting Policies

The Options Clearing Corporation (“OCC”) is registered with the Securities and Exchange Commission as a clearing agency and with the Commodity Futures Trading Commission as a derivatives clearing organization. OCC clears and settles transactions in securities options effected on its participant options exchanges and transactions in security futures and commodity futures effected on other markets for which OCC has agreed to provide such services.

Use of Estimates  The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Cash and Cash Equivalents  Cash and cash equivalents are comprised primarily of United States Government securities held under agreements issued by major banking institutions, which mature on the next business day. During the term of the agreements, the underlying securities are transferred through the Federal Reserve System to a custodial account maintained by the issuing bank for the benefit of OCC. OCC considers all highly liquid debt instruments with a maturity of three months or less from the date of purchase to be cash equivalents.

Property and Equipment  Property and equipment is stated at historical cost, net of accumulated depreciation and amortization. Depreciation is computed using straight-line and accelerated methods based on estimated useful lives of five to twenty years. Leasehold improvements are amortized over the terms of the related leases.

Software, which includes capitalized labor and related equipment, is amortized over a useful life of three to five years.

OCC capitalized costs for computer software development in the amount of $2.5 million, $4.2 million and $9.6 million for the years ended December 31, 2006, 2005 and 2004, respectively. Accumulated amortization for computer software development was $17.9 million, $16.7 million and $14.9 million for 2006, 2005 and 2004, respectively.

For the years 2007 through 2011, the estimated aggregate amortization expenses will be approximately $27.8 million.

Impairment of Long-Lived Assets  OCC reviews long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such review indicates that the carrying amount of a long-lived asset is not recoverable, the carrying amount is reduced to the fair value.

Income Taxes  OCC uses the asset and liability method to record income taxes. Accordingly, deferred tax assets and liabilities are recorded based on differences between the financial accounting and tax basis of assets and liabilities. Deferred tax assets and liabilities are recorded based on the currently enacted tax rate expected to apply to taxable income in the year in which the deferred tax asset or liability is expected to be settled or realized.

Investments  OCC designated all of its investments as trading in accordance with Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (“SFAS 115”).

Earnings per Share  Earnings per share are calculated based on the weighted average number of Class B common shares outstanding during the year: 25,000 shares in 2006, 2005 and 2004. OCC has no dilutive common shares outstanding.

Reclassifications  OCC has reclassified certain prior years’ amounts to conform to the current year’s presentation.
Note 2. Off-Balance Sheet Risk, Concentration of Credit Risk and Fair Value of Financial Instruments

OCC is the registered clearing agency for U.S. listed securities options and a registered derivatives clearing organization. OCC issues (and in that sense guarantees) and clears securities option contracts traded on its participant options exchanges and security futures and commodity futures contracts traded on exchanges with which OCC has clearing and settlement services agreements. OCC clears contracts based on several types of underlying interests, including common and preferred stocks, American depository receipts, exchange traded fund shares, stock indexes, foreign currencies, interest rate composites (in the case of options), and commodity indexes (in the case of futures).

OCC also is the clearing agency for exercises of foreign currency options and stock index options. OCC also clears certain stock loan/borrow transactions between participating Clearing Members.

OCC maintains lines of credit with major domestic and foreign banks in the amount of approximately $370 million and $553 million as of December 31, 2006 and 2005, respectively. (Foreign currency denominated lines of credit were converted to U.S. dollars using the year-end exchange rate.) At December 31, 2006, of these lines of credit, $50 million is available to ensure the performance of the foreign currency settlement process in the event that a Clearing Member should fail to deliver foreign currencies on a timely basis, and $300 million is available to enable OCC to meet clearing member default or suspension obligations, or to cover certain other bankruptcy losses. The remaining $20 million is available to meet working capital requirements incurred in the ordinary course of business (including Clearing Member default or suspension obligations and certain other bankruptcy losses). No amounts were outstanding during 2006 or 2005 under these lines. Commitment fees are paid to the issuing banks for these lines of credit.

OCC performs a guarantee function which ensures the financial integrity of the markets it clears. Consequently, OCC bears counterparty credit risk in the event that future market movements create conditions which could lead to Clearing Members failing to meet their obligations. OCC is thus exposed to off-balance sheet risk with respect to the securities broker dealers and futures commission merchants that are its Clearing Members.

OCC reduces its exposure through a risk management program that strives to achieve a prudent balance between market integrity and liquidity. This program of safeguards, which provides substance to OCC’s guarantee, consists of: rigorous initial and ongoing financial responsibility standards for membership; margin deposits (see Note 3); and clearing fund deposits (see Note 4).

The carrying value of OCC’s cash equivalents approximates fair value because of the short maturities of these investments. Margin deposits, which are not reflected in the statements of financial condition, and clearing fund deposits, which are reflected in such statements, are shown in Notes 3 and 4, respectively, at market value less applicable haircuts at December 31, 2006 and 2005.

OCC does not assume any guarantor role unless it has a precisely equal and offsetting claim against a Clearing Member. Therefore, the fair value of the open interest of options and futures contracts and stock loan/borrow positions cleared and settled by OCC is not included in the statements of financial condition. OCC’s obligations under the guarantee would arise if a Clearing Member were unable to meet its obligations to OCC. OCC requires margin deposits and clearing fund deposits to collateralize Clearing Members’ obligations and thus support OCC’s guarantee.

As of December 31, 2006 and 2005, the amount of margin required by OCC to support its guarantee was $39.7 billion and $44.1 billion, respectively, which represents the aggregate mark-to-market value of outstanding positions plus an additional amount to cover an adverse price move. In August 2006, OCC changed the methodology it uses to compute margin requirements to enhance OCC’s ability to measure the risks of the portfolios in a Clearing Member’s account more accurately,
and therefore enable OCC to calculate margin requirements more precisely. Analysis performed by OCC indicates that in general, the new margin methodology lowered total margin requirements. The new methodology was used to calculate margin requirements at December 31, 2006, while the old methodology was used to calculate margin requirements at December 31, 2005. Margin deposits and clearing fund deposits are discussed in Notes 3 and 4, respectively.

Note 3. Margin Deposits

OCC’s rules provide that each Clearing Member representing the seller of an option must either deposit the underlying interest (in the case of call options) or maintain specified margin deposits. They also require that margin deposits be made in respect of futures positions and certain stock loan/borrow positions. Such margin deposits are in the form of cash, bank letters of credit, U.S. and Canadian Government securities, U.S. Government sponsored enterprise debt securities, money market fund shares or other acceptable margin securities (“valued securities”). The margin deposits of each Clearing Member are available to meet only the financial obligations of that Clearing Member to OCC. All margin deposits, except letters of credit, are held at securities depositories or banks. All obligations, money market fund shares, and valued securities are marked to market on a daily basis. Valued securities are given margin credit at 70% of their daily closing bid price. The margin credit granted for the securities of any one issuer cannot exceed 10% of a Clearing Member’s daily margin requirement. OCC also haircuts, on a daily basis, the fair value of (i) U.S. and Canadian Government securities, and (ii) money market fund shares to provide a cushion against adverse price fluctuations.

Under OCC’s rules, bank letters of credit are required to be irrevocable. Cash margin deposits that OCC holds may be invested, and any interest or gain received or loss incurred on such invested funds accrues to OCC.

The fair values (less applicable haircuts) of underlying securities and margin deposits at December 31, 2006 and 2005 were approximately as follows (foreign government securities are converted to U.S. dollars using the year-end exchange rate):

<table>
<thead>
<tr>
<th>Years ended December 31</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying securities at market value</td>
<td>$18,704,194,000</td>
<td>$14,544,153,000</td>
</tr>
<tr>
<td>Valued securities at market value</td>
<td>37,862,155,000</td>
<td>48,886,183,000</td>
</tr>
<tr>
<td>Cash and temporary investments</td>
<td>144,460,000</td>
<td>192,081,000</td>
</tr>
<tr>
<td>Bank letters of credit</td>
<td>5,808,010,000</td>
<td>5,588,310,000</td>
</tr>
<tr>
<td>Government securities</td>
<td>13,992,153,000</td>
<td>9,311,298,000</td>
</tr>
<tr>
<td>Government sponsored enterprise debt securities</td>
<td>49,255,000</td>
<td>48,060,000</td>
</tr>
<tr>
<td>Money market fund shares</td>
<td>254,800,000</td>
<td>4,900,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$76,815,027,000</strong></td>
<td><strong>$78,574,985,000</strong></td>
</tr>
</tbody>
</table>

Further, as of December 31, 2006 and 2005, OCC accepted index option escrow deposits, which represent acceptable collateral on deposit with approved banks, in lieu of margin for approximately 136,000 and 124,000 short index contracts, respectively. At December 31, 2006 and 2005, the market value of the index option contracts collateralized under the escrow deposit program approximated $17 billion and $12.2 billion, respectively. At December 31, 2006 and 2005, margin deposits were in excess of the amounts required by OCC.

OCC also maintains cross-margining arrangements with certain U.S. commodities clearing organizations. Under the terms of these arrangements, an OCC Clearing Member that is also a Clearing Member of a commodities clearing organization participating in the cross-margining arrangement, or that has an affiliate that is a Clearing Member of such commodities clearing organization, may maintain cross-margin accounts in which the Clearing Member’s positions in OCC-cleared options are combined, for purposes of calculating margin requirements, with positions of the Clearing
Member (or its affiliate) in futures contracts and/or options on futures contracts. Margin deposits on the combined positions are held jointly by OCC and the participating commodities clearing organization and are available (together with any proceeds of the options and futures positions themselves) to meet financial obligations of the Clearing Member(s) to OCC and the commodities clearing organization. In the event that either OCC or a participating commodities clearing organization suffers a loss in liquidating positions in a cross-margin account, the loss is to be shared among OCC and the participating commodities clearing organization in accordance with their agreement. Margin deposits for cross-margin accounts may be in the form of cash, valued securities, U.S. Government securities, U.S. Government sponsored enterprise debt securities or bank letters of credit.

**Note 4. Clearing Fund Deposits**

OCC maintains a clearing fund to cover possible losses should a Clearing Member, bank, or a securities or commodities clearing organization default. The clearing fund is a percentage of the average daily aggregate margin requirement for positions outstanding during the preceding calendar month. It therefore expands and contracts in size from month to month. A Clearing Member’s clearing fund deposit is based on its pro-rata share of the average daily options, stock loan/borrow, futures and options on futures positions outstanding during the preceding month. The clearing fund mutualizes the risk of default among all Clearing Members. The entire clearing fund is available to cover potential losses in the event that the margin deposit and the clearing fund deposit of a defaulting Clearing Member are inadequate or not immediately available to fulfill that Clearing Member’s outstanding financial obligations. In the event of a default, OCC is generally required to liquidate the defaulting Clearing Member’s open positions. To the extent that such positions remain open, OCC is required to assume the defaulting Clearing Member’s obligations related to the open positions. The clearing fund is available to cover the cost of liquidating a defaulting Clearing Member’s open positions or performing OCC’s obligations with respect to positions not yet liquidated.

Clearing fund deposits must be in the form of cash or Government securities (as defined in OCC’s by-laws), as the clearing fund is intended to provide OCC with an immediately available pool of liquid assets. Clearing Members may make clearing fund deposits in cash to OCC or in an approved segregated funds account, or in Government securities to various securities depositories or banks. OCC haircuts Government securities on a daily basis to provide a cushion against adverse price fluctuations. Cash deposits in nonsegregated accounts may be invested, and any interest or gain received or loss incurred on invested funds accrues to OCC. Segregated funds cannot be invested by OCC.

The total amount of the clearing fund (all foreign government securities are converted to U.S. dollars using the year-end exchange rate) at December 31, 2006 and 2005 was as follows:

<table>
<thead>
<tr>
<th>Years ended December 31</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and temporary investments</td>
<td>$13,349,000</td>
<td>$21,726,000</td>
</tr>
<tr>
<td>Government securities, at market value (less applicable haircuts)</td>
<td>2,904,405,000</td>
<td>2,418,612,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,917,754,000</strong></td>
<td><strong>$2,440,338,000</strong></td>
</tr>
</tbody>
</table>

**Note 5. Common Stock, Stockholders Agreement and Agreements with Exchanges**

OCC has Class A and Class B common stock, each with a $10 par value, 60,000 shares authorized, 30,000 shares issued and 25,000 shares outstanding at December 31, 2006 and 2005.

At December 31, 2006 and 2005, treasury stock consisted of 5,000 shares of Class A common stock and 5,000 shares of Class B common stock at an aggregate cost of $333,333.
The Class B common stock is issuable in twelve series of 5,000 shares each. The Class B common stock is entitled to receive dividends, whereas the Class A common stock is not. Upon liquidation of OCC, holders of Class A common stock and Class B common stock would first be paid the par value of their shares. Next, each holder of Class B common stock would receive a distribution of $1,000,000. Next, an amount equal to OCC’s shareholders’ equity at December 31, 1998 of $22,902,094, minus the distributions described above, would be distributed to those holders who acquired their Class B common stock before December 31, 1998. Finally, any remaining shareholders’ equity would be distributed equally to all holders of Class B common stock.

The by-laws of OCC provide that any national securities exchange or national securities association which meets specific requirements may qualify for participation in OCC. Until 2002, exchanges qualified for participation by purchasing 5,000 shares of Class A common stock and 5,000 shares of Class B common stock. The purchase price for such shares was the aggregate book value of a comparable number of shares at the end of the preceding calendar month, but not more than $1,000,000. In 2002, OCC amended its by-laws to provide that exchanges would thereafter qualify for participation in OCC by purchasing a $1,000,000 promissory note. Five of OCC’s six participant exchanges at December 31, 2006 and 2005 were stockholders. The sixth participant exchange is a noteholder.

OCC is a party to a Stockholders Agreement with its stockholders. The Stockholders Agreement provides that each stockholder appoints the members of the Nominating Committee of OCC as its proxy for purposes of voting its shares for the election of member directors, the Chairman of OCC as the management director, the person(s) nominated by the Chairman of OCC with the approval of the Board of Directors as the public director(s), and members of the following year’s Nominating Committee.

It also provides for the purchase by OCC of all of its stock owned by any stockholder under specified circumstances, but the obligation to pay the purchase price will be subordinated to OCC’s obligations to creditors, and the purchase price cannot be paid if the payment would reduce capital and surplus below $1,000,000. If OCC is required to purchase its stock from any stockholder, the purchase price for the two years following the date the stockholder acquired its stock is the stockholder’s purchase price paid reduced by $300,000. Thereafter, the purchase price is the lesser of the aggregate book value of the shares or the original purchase price paid, less $240,000, $180,000, $120,000, $60,000 or zero after the second, third, fourth, fifth or sixth year, respectively, from the date of sale of such stock.

The Noteholders Agreement provides OCC with the right to purchase all notes owned by any noteholder under specified circumstances, but the obligation to pay the purchase price will be subordinated to OCC’s obligations to creditors except that such obligation will not be subordinate to OCC’s obligation to pay the purchase price to any other noteholder or any stockholder under the Stockholders Agreement. If OCC exercises its purchase rights to purchase such notes, the purchase price for the two years following the date of OCC’s execution thereof is the original aggregate principal amount of such notes plus any accrued and unpaid interest thereon reduced by $300,000. Thereafter, the purchase price is the original aggregate principal amount of such notes plus any accrued and unpaid interest thereon, less $240,000, $180,000, $120,000, $60,000 or zero after the second, third, fourth, fifth or sixth year, respectively, from the date such notes were executed.

OCC is also a party to a Restated Participant Exchange Agreement dealing with the business relationship between and among OCC and each participant exchange.

OCC has entered into separate clearing and settlement services agreements for security futures with Nasdaq Liffe Markets LLC (subsequently
renamed NQLX LLC), OneChicago, LLC, and The Island Futures Exchange LLC dealing with
the business relationship between OCC and such exchange. Each security futures exchange paid a
$250,000 fee to OCC which is refundable in whole
or in part to such exchange if it ceases to clear
security futures through OCC. The amount of such
refund is the lesser of $250,000 or 50% of the
aggregate clearing fees received by OCC for trades in
security futures executed on that market. The clearing
and settlement services agreement with NQLX
LLC was terminated effective December 19, 2004
and NQLX LLC was paid a refund in accordance
with such agreement. OCC also has clearing and
settlement agreements with CBOE Futures Exchange,
LLC and Philadelphia Board of Trade, Inc.

Note 6. Sale and Buy Back Agreements
Sale and buy back agreements outstanding, including
amounts in margin and clearing fund deposits,
averaged $128 million and $162 million during
2006 and 2005, respectively, and the maximum
amount outstanding during 2006 and 2005 was
$474 million and $400 million, respectively. The
amounts outstanding approximate the market value
of the underlying securities.

Note 7. Clearing Fees
OCC’s Board of Directors sets clearing fees and
determines the amounts of refunds, fee reductions
and discounts, if any, based upon the current
funding needs of OCC. The Board of Directors
determined in the years ended December 31, 2006,
2005 and 2004 that refunds, fee reductions and
discounts of clearing fees be made to Clearing
Members. Refunds, which have been netted against
clearing fees in the statements of income and
retained earnings, were $45,229,000, $49,648,000
and $47,430,000 for the years ended December 31,
2006, 2005 and 2004, respectively.

Note 8. Other Assets
Other assets, which include investments for the
supplemental executive retirement plan ("SERP")
and the Executive defined contribution plan
discussed in Note 12, consisted of the following:

<table>
<thead>
<tr>
<th>Years ended December 31</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>SERP</td>
<td>$14,506,721</td>
<td>$12,429,428</td>
</tr>
<tr>
<td>Executive defined</td>
<td>10,154,103</td>
<td>9,149,658</td>
</tr>
<tr>
<td>contribution plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>605,934</td>
<td>845,441</td>
</tr>
<tr>
<td>Total Other Assets</td>
<td>$25,266,758</td>
<td>$22,424,527</td>
</tr>
</tbody>
</table>

Investments applicable to the SERP consist of
mutual funds and are designated as trading under
SFAS 115. Investments are recorded at fair value
and changes in fair value are recorded as investment
income on the statements of income and retained
earnings. OCC recognized a net increase in the
fair value of these investments of $1,855,000 and
$3,236,000 in 2006 and 2005, respectively. The
increase in fair value includes $1,068,000 and
$1,227,000 of net unrealized gains for 2006 and
2005, respectively. Prior to 2005, the yearly changes
in the fair value of these assets were not recorded.

Investments applicable to the Executive defined
contribution plan consist of debt and equity
securities and mutual funds and are designated as
trading under SFAS 115. Investments are recorded
at fair value and changes in fair value are recorded
as investment income in the statements of income and retained
earnings. In addition, changes in
the investments’ fair value result in corresponding
charges recorded as employee costs in the statements
of income and retained earnings. The increase
in the fair value was $1,004,000 and $534,000
for the years ended December 31, 2006 and 2005,
respectively. The increase in fair value includes
$580,000 and $305,000 of net unrealized gains
at 2006 and 2005, respectively.
Note 9. Commitments

Future minimum aggregate rental payments under operating leases having initial or remaining noncancelable lease terms in excess of one year as of December 31, 2006 (principally for office space and data processing equipment) in the aggregate are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Rental Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$6,734,000</td>
</tr>
<tr>
<td>2008</td>
<td>5,293,000</td>
</tr>
<tr>
<td>2009</td>
<td>3,548,000</td>
</tr>
<tr>
<td>2010</td>
<td>2,126,000</td>
</tr>
<tr>
<td>2011</td>
<td>2,085,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>5,839,000</td>
</tr>
<tr>
<td>Total</td>
<td>$25,625,000</td>
</tr>
</tbody>
</table>

Rental expense for the years ended December 31, 2006, 2005 and 2004 was $21,902,000, $21,612,000 and $23,661,000, respectively.

On August 1, 2004, in accordance with OCC’s lease agreement covering its Chicago office space, OCC exercised a one time option to reduce its rentable space by 25% of the original leased space. The space contraction was effective August 1, 2005. In accordance with Statement of Financial Accounting Standards No. 146 (FASB 146), Accounting for Costs Associated With Exit or Disposal Activities, included in rental expense for 2004 is a fee of $2,137,000 required by the lease agreement for exercising the option to contract the leased space. In addition, leasehold improvements having a net book value of $907,000 related to the space contraction were written off in 2004.

In August 2006, OCC assigned its rights to a portion of leased office space by making a one time payment of $974,000, relieving OCC of any further obligation associated with a portion of such leased office space. This lease assignment was effective October 1, 2006.

OCC has employment agreements with certain of its senior officers. The aggregate commitment for future salaries and deferred compensation payments at December 31, 2006 and 2005, excluding bonuses, was approximately $9.6 million and $10.2 million, respectively. Effective January 1, 2006, OCC implemented the Executive Deferred Compensation Plan (“Plan”) for senior officers. The Plan replaces the Third restated Capital Accumulation Plan (“CAP”). Deferred compensation of $2.1 million at December 31, 2006, was transferred to the Plan in January 2007 and will vest in five years. Plan investments, consisting of mutual funds, will be designated as trading under SFAS 115. Such investments will be recorded at fair value and changes in their fair value will be recorded as investment income in the statements of income and retained earnings. In addition, changes in the investments’ fair value will result in corresponding charges recorded as employee costs in the statements of income and retained earnings. At December 31, 2006, the CAP balance is $2.0 million, including income from investments, and no additional future contributions will be made.

Note 10. Related Party Transactions

Certain exchanges and their affiliates provide some operational and other services on behalf of OCC for which expenses of approximately $920,000, $798,000, and $684,000 were incurred for the years ended December 31, 2006, 2005 and 2004, respectively.

OCC also bills and collects transaction fees on behalf of the Chicago Board Options Exchange, Incorporated, NYSE Arca, Inc., International Securities Exchange, LLC, and OneChicago, LLC. Fees billed and uncollected by OCC, and not remitted to the exchanges, at December 31, 2006 and 2005 were $42,788,000 and $30,321,000, respectively, and are included in the statements of financial condition as exchange billing receivable and payable.

In 1992, OCC and its participant exchanges formed an industry organization named The Options Industry Council (“OIC”). The total amounts expended by OCC on behalf of OIC, before reimbursement from the participant exchanges, for the years ended December 31, 2006, 2005 and 2004 were $4,225,000, $3,475,000 and $3,582,000.
The provision (benefit) for income taxes is reconciled to the amount determined by applying the statutory federal income tax rate to income before taxes as follows:

<table>
<thead>
<tr>
<th>Years ended December 31</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal income tax at the statutory rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent tax differences</td>
<td>274,825</td>
<td>219,237</td>
<td>222,042</td>
</tr>
<tr>
<td>State income tax effect</td>
<td>42,679</td>
<td>34,069</td>
<td>36,073</td>
</tr>
<tr>
<td>Tax reserve contingency</td>
<td></td>
<td></td>
<td>(3,788,191)</td>
</tr>
<tr>
<td>Tax credits</td>
<td>(484,000)</td>
<td>(515,000)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>306,466</td>
<td>176,000</td>
<td>382,595</td>
</tr>
<tr>
<td>Provision (benefit) for income taxes</td>
<td>$ 139,970</td>
<td>$(437,694)</td>
<td>$(3,912,671)</td>
</tr>
</tbody>
</table>

The deferred tax asset (liability) consists of the following:

<table>
<thead>
<tr>
<th>Years ended December 31</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation and employee benefits</td>
<td>$ 735,643</td>
<td>$ 685,973</td>
</tr>
<tr>
<td>Current asset</td>
<td>735,643</td>
<td>685,973</td>
</tr>
<tr>
<td>Accelerated depreciation and amortization</td>
<td>(6,494,090)</td>
<td>(12,735,666)</td>
</tr>
<tr>
<td>Pension and postretirement benefits</td>
<td>3,421,970</td>
<td>10,517,295</td>
</tr>
<tr>
<td>Net operating loss carryforwards and other credits</td>
<td>—</td>
<td>4,334</td>
</tr>
<tr>
<td>Tax reserve contingency</td>
<td></td>
<td>— (3,788,191)</td>
</tr>
<tr>
<td>Tax credits</td>
<td>(484,000)</td>
<td>(515,000)</td>
</tr>
<tr>
<td>Other items</td>
<td>48,827</td>
<td>429,696</td>
</tr>
<tr>
<td>Non-current liability</td>
<td>(3,023,293)</td>
<td>(1,784,341)</td>
</tr>
<tr>
<td>Total</td>
<td>$ (2,287,650)</td>
<td>$ (1,098,368)</td>
</tr>
</tbody>
</table>

Note 12. Retirement Plans

OCC has a trusteed, non-contributory, qualified retirement plan ("Retirement Plan") covering employees who meet specified age and service requirements. Retirement benefits are primarily a function of both years of service and the level of compensation during the highest consecutive five years out of the last ten years before retirement ("highest average compensation"). OCC also has a supplemental executive retirement plan ("SERP") which includes a benefit replacement plan. Retirement benefits are primarily a function of both years of service and the level of compensation during the highest nonconsecutive three years out of the last ten years before retirement (in the case of participants at or above the rank of Executive Vice President) or the highest consecutive five years of prior years' filed tax returns. At December 31, 2006 and 2005, OCC has an accrual for tax contingencies recorded in other accrued expenses in the statements of financial condition. In 2004, reviews of certain prior years' filed tax returns were completed and, as a result, OCC reduced its accrual for tax contingencies (previously recorded in other accrued expenses on the statements of financial condition) by approximately $3.8 million.

The deferred tax asset (liability) consists of the following:

<table>
<thead>
<tr>
<th>Years ended December 31</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation and employee benefits</td>
<td>$ 735,643</td>
<td>$ 685,973</td>
</tr>
<tr>
<td>Current asset</td>
<td>735,643</td>
<td>685,973</td>
</tr>
<tr>
<td>Accelerated depreciation and amortization</td>
<td>(6,494,090)</td>
<td>(12,735,666)</td>
</tr>
<tr>
<td>Pension and postretirement benefits</td>
<td>3,421,970</td>
<td>10,517,295</td>
</tr>
<tr>
<td>Net operating loss carryforwards and other credits</td>
<td>—</td>
<td>4,334</td>
</tr>
<tr>
<td>Tax reserve contingency</td>
<td></td>
<td>— (3,788,191)</td>
</tr>
<tr>
<td>Tax credits</td>
<td>(484,000)</td>
<td>(515,000)</td>
</tr>
<tr>
<td>Other items</td>
<td>48,827</td>
<td>429,696</td>
</tr>
<tr>
<td>Non-current liability</td>
<td>(3,023,293)</td>
<td>(1,784,341)</td>
</tr>
<tr>
<td>Total</td>
<td>$ (2,287,650)</td>
<td>$ (1,098,368)</td>
</tr>
</tbody>
</table>
out of the last ten years before retirement (in the case of participants below the rank of Executive Vice President). OCC amended its Retirement Plan such that certain employees are no longer eligible to earn future benefit service after December 31, 2002. Vested benefits for such employees will continue to be based on their highest average compensation, and they became eligible to participate in the defined contribution plan, effective January 2, 2003. Participation in the Retirement Plan was frozen effective March 7, 2002.

OCC’s funding policies, subject to the minimum funding requirements of U.S. employee benefit and tax laws, are to contribute such amounts as are determined on an actuarial basis to provide the plans with assets sufficient to meet the benefit obligation of the plans.

Net periodic benefit cost of the Retirement Plan and the SERP consisted of the following:

<table>
<thead>
<tr>
<th>Years ended December 31</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$1,782,000</td>
<td>$1,522,000</td>
<td>$1,975,000</td>
</tr>
<tr>
<td>Interest cost</td>
<td>4,819,000</td>
<td>4,115,000</td>
<td>4,239,000</td>
</tr>
<tr>
<td>Expected return on assets</td>
<td>(5,032,000)</td>
<td>(3,879,000)</td>
<td>(2,962,000)</td>
</tr>
<tr>
<td>Settlement charge</td>
<td>—</td>
<td>—</td>
<td>3,162,000</td>
</tr>
<tr>
<td>Amortization:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior service cost</td>
<td>80,000</td>
<td>85,000</td>
<td>88,000</td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>2,671,000</td>
<td>2,167,000</td>
<td>2,655,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net periodic benefit cost</td>
<td>$4,320,000</td>
<td>$4,010,000</td>
<td>$9,157,000</td>
</tr>
</tbody>
</table>

Assets and liabilities for the Retirement Plan and liabilities for the SERP were measured as of September 30, 2006 and 2005. The funded status as of December 31, 2006 and 2005 approximates the funded status as of September 30, 2006 and 2005, respectively. The Retirement Plan assets and the plans’ benefit obligation and funded status are as follows:

<table>
<thead>
<tr>
<th>Years ended December 31</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Benefit Obligation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net benefit obligation at beginning of year</td>
<td>$82,875,000</td>
<td>$68,001,000</td>
</tr>
<tr>
<td>Service cost</td>
<td>1,782,000</td>
<td>1,522,000</td>
</tr>
<tr>
<td>Interest cost</td>
<td>4,819,000</td>
<td>4,115,000</td>
</tr>
<tr>
<td>Actuarial (gain) loss</td>
<td>(2,791,000)</td>
<td>11,047,000</td>
</tr>
<tr>
<td>Gross benefits paid</td>
<td>(2,036,000)</td>
<td>(1,810,000)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net benefit obligation at end of year</td>
<td>$84,649,000</td>
<td>$82,875,000</td>
</tr>
</tbody>
</table>

| Change in Plan Assets: | | |
| Fair value of plan assets at beginning of year | $52,727,000 | $41,369,000 |
| Actual return on plan assets | 6,072,000 | 7,047,000 |
| Employer contributions | 9,564,000 | 6,121,000 |
| Gross benefits paid | (2,036,000) | (1,810,000) |
| Fair value of plan assets at end of year | $66,327,000 | $52,727,000 |

| Funded Status: | | |
| Funded status at end of year | $(18,322,000) | $(30,148,000) |
| Unrecognized net actuarial loss | 26,199,000 | 32,701,000 |
| Unrecognized prior service cost | 207,000 | 287,000 |
| Fourth quarter contributions/benefits | 670,000 | 2,382,000 |
| Net amount recognized as accrued benefit | $8,754,000 | $5,222,000 |

<table>
<thead>
<tr>
<th>Amounts recognized in the statements of financial condition consist of:</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid benefit cost</td>
<td>$18,342,000</td>
<td>$11,546,000</td>
</tr>
<tr>
<td>Accrued benefit cost</td>
<td>(10,258,000)</td>
<td>(8,706,000)</td>
</tr>
<tr>
<td>Additional minimum liability</td>
<td>(4,228,000)</td>
<td>(22,815,000)</td>
</tr>
<tr>
<td>Intangible asset</td>
<td>84,000</td>
<td>287,000</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>4,144,000</td>
<td>22,528,000</td>
</tr>
<tr>
<td>Fourth quarter contributions/benefits</td>
<td>670,000</td>
<td>2,382,000</td>
</tr>
<tr>
<td>Net amount recognized as accrued benefit</td>
<td>$8,754,000</td>
<td>$5,222,000</td>
</tr>
</tbody>
</table>
The accumulated benefit obligation for the Retirement Plan and the SERP was $75,690,000 and $72,701,000 at December 31, 2006 and 2005, respectively.

The unfunded accumulated benefit obligation for the Retirement Plan and the SERP was $9,363,000 and $19,974,000 at December 31, 2006 and 2005, respectively. The $4,144,000 and $22,528,000 in excess of the unfunded accumulated benefit obligation over the net amounts recognized at December 31, 2006 and 2005, respectively, have been recorded net of tax as accumulated other comprehensive loss in the statements of financial condition.

The major assumptions used to determine the accumulated benefit obligations and benefit costs are a 6.0% discount rate and 4.75% future salary increases as of September 30, 2006 and a 5.75% discount rate and 4.75% future salary increases as of September 30, 2005. The expected long term rate of return on the Retirement Plan assets was 9.0% in 2006 and 2005, derived using the plan’s asset mix, historical returns by asset category, expectations for future capital market performance, and the fund’s past experience. Both the plan’s investment policy and the expected long term rate of return assumption are reviewed periodically.

OCC’s expected cash outlays for employer contributions in 2007 are $2,558,000, and expected cash outlays for benefit payments are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$2,715,000</td>
</tr>
<tr>
<td>2008</td>
<td>2,985,000</td>
</tr>
<tr>
<td>2009</td>
<td>3,480,000</td>
</tr>
<tr>
<td>2010</td>
<td>3,693,000</td>
</tr>
<tr>
<td>2011</td>
<td>4,004,000</td>
</tr>
<tr>
<td>2012-2016</td>
<td>25,523,000</td>
</tr>
<tr>
<td>Total</td>
<td>$42,400,000</td>
</tr>
</tbody>
</table>

The primary investment objective for the Retirement Plan is to earn the maximum rate of return consistent with a chosen risk exposure. Over a three to five year period, the actively managed portion of the plan is expected to outperform a blended benchmark of the actively managed asset classes. The plan’s current investment mix is 50% equities, 30% bonds and 20% international equities.

In 2004, OCC entered into an agreement with its Chairman and Chief Executive Officer (“Executive”) to convert substantially all of the Executive’s SERP benefit to a defined contribution benefit. The amount of the settlement was $8.4 million, approximately half of the total SERP liability at September 30, 2004, and was calculated based on the Executive’s assumed retirement age at 65. The Executive’s remaining SERP will be limited solely to the amount of accrued benefit, if any, that the Executive cannot receive under the Retirement Plan because of the limitations of Internal Revenue Code Section 415. At December 31, 2006 and 2005, the defined contribution benefit related assets and corresponding liabilities to the Executive of $10,154,000 and $9,150,000 are reflected in other assets and other liabilities, respectively, on the statements of financial condition (see Note 8).

OCC also maintains a defined contribution plan qualified under Internal Revenue Code Section 401(k) for eligible employees who elect to participate in the plan. Eligible employees may elect to have their salaries reduced by an amount which is subject to applicable IRS limitations. This amount is then paid into the plan by OCC on behalf of the employee.

OCC will make matching contributions to the participant’s account equal to 50% of deferred deposits (excluding “catch-up” deposits) up to the first six percent of salary that is deferred. OCC’s expenses for the matching contributions to the plan for the years ended December 31, 2006, 2005 and 2004 were $907,000, $924,000 and $887,000, respectively. In 2003, the plan was restated under a new plan document. The restated plan contains a profit-sharing component for individuals not eligible
to earn future benefit service in the Retirement Plan, as discussed above. Profit sharing contributions to the plan were $985,000, $966,000 and $1,031,000 in 2006, 2005 and 2004, respectively.

**Note 13. Postretirement Benefits Other Than Pensions**

OCC has a postretirement welfare plan covering employees who meet specified age and service requirements. Retiree contributions to medical payments vary by age and service at retirement. The plan is a defined dollar benefit plan in which OCC’s obligation is limited to a maximum amount per participant per year set by OCC at the time a participant retires.

Net periodic benefit cost consisted of the following:

<table>
<thead>
<tr>
<th>Years ended December 31</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$365,000</td>
<td>$383,000</td>
<td>$404,000</td>
</tr>
<tr>
<td>Interest cost</td>
<td>505,000</td>
<td>514,000</td>
<td>483,000</td>
</tr>
<tr>
<td>Expected return on assets</td>
<td>(198,000)</td>
<td>(157,000)</td>
<td>(127,000)</td>
</tr>
<tr>
<td>Amortization:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transition obligation</td>
<td>28,000</td>
<td>28,000</td>
<td>28,000</td>
</tr>
<tr>
<td>Prior service cost</td>
<td>133,000</td>
<td>133,000</td>
<td>133,000</td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>90,000</td>
<td>141,000</td>
<td>170,000</td>
</tr>
<tr>
<td>Total net periodic benefit cost</td>
<td>$923,000</td>
<td>$1,042,000</td>
<td>$1,091,000</td>
</tr>
</tbody>
</table>

Assets and liabilities for the postretirement welfare plan were measured as of September 30, 2006 and 2005. The funded status as of December 31, 2006 and 2005 approximates the funded status as of September 30, 2006 and 2005.

The primary investment objective for the plan is to earn the maximum rate of return consistent with a chosen risk exposure. Over a three to five year period, the actively managed portion of the plan is expected to outperform a blended benchmark of the actively managed asset classes. The plan’s current investment mix is 50% equities, 30% bonds and 20% international equities.

The plan’s benefit obligation, plan assets and funded status are as follows:

<table>
<thead>
<tr>
<th>Years ended December 31</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Benefit Obligation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net benefit obligation at beginning of year</td>
<td>$8,523,000</td>
<td>$8,260,000</td>
</tr>
<tr>
<td>Service cost</td>
<td>365,000</td>
<td>383,000</td>
</tr>
<tr>
<td>Interest cost</td>
<td>505,000</td>
<td>514,000</td>
</tr>
<tr>
<td>Actuarial gain</td>
<td>(36,000)</td>
<td>(468,000)</td>
</tr>
<tr>
<td>Gross benefits paid</td>
<td>(206,000)</td>
<td>(166,000)</td>
</tr>
<tr>
<td>Net benefit obligation at end of year</td>
<td>$9,151,000</td>
<td>$8,523,000</td>
</tr>
</tbody>
</table>

| Change in Plan Assets: |      |      |
| Fair value of plan assets at beginning of year | $2,154,000 | $1,695,000 |
| Actual return on plan assets | 249,000 | 294,000 |
| Employer contributions | 394,000 | 331,000 |
| Gross benefits paid | (206,000) | (166,000) |
| Fair value of plan assets at end of year | $2,591,000 | $2,154,000 |

| Funded Status: |      |      |
| Funded status at end of year | ($6,560,000) | ($6,369,000) |
| Unrecognized net actuarial loss | 1,939,000 | 2,117,000 |
| Unrecognized prior service cost | 353,000 | 485,000 |
| Unrecognized net transition obligation | 169,000 | 197,000 |
| Fourth quarter contributions | 228,000 | 247,000 |
| Net amount recognized as accrued liability | ($3,871,000) | ($3,323,000) |

The assumed discount rate used in determining the accumulated postretirement benefit obligation was 6.0% in 2006 and 5.75% in 2005.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 7.5% and 8.5% in 2006 and 2005, respectively, decreasing by one percentage point per year reaching 5% in 2010.

A one percentage point increase in the assumed health care cost trend rate for each year would not have a material effect on the accumulated postretirement benefit obligation or net periodic benefit cost.
In May 2004, the FASB issued Staff Position ("FSP") No. 106-2, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003, which superseded FSP No. 106-1, of the same name that was issued in January 2004. This FSP provides guidance on the accounting for the effects of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the “Act”) for employers that sponsor postretirement health care plans that provide prescription drug benefits. This FSP also requires certain disclosures regarding the effect of the federal subsidy provided by the Act. As of December 31, 2006, the anticipated Medicare Part D Subsidy has reduced the accumulated postretirement benefit obligation by $1.9 million and has reduced the net periodic benefit cost by $310,000. For the year ended December 31, 2006, no benefits have been paid or received under the Medicare Part D Subsidy.

OCC’s expected cash outlays for employer contributions in 2007 are $263,000 and expected cash outlays for benefit payments are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Benefit Payments (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>263,000</td>
</tr>
<tr>
<td>2008</td>
<td>289,000</td>
</tr>
<tr>
<td>2009</td>
<td>315,000</td>
</tr>
<tr>
<td>2010</td>
<td>348,000</td>
</tr>
<tr>
<td>2011</td>
<td>384,000</td>
</tr>
<tr>
<td>2012-2016</td>
<td>2,659,000</td>
</tr>
<tr>
<td>Total</td>
<td>$ 4,258,000</td>
</tr>
</tbody>
</table>

Note 14. Contingencies

In the normal course of business, OCC may be subjected to various lawsuits and claims. At December 31, 2006, no litigation exists which OCC management believes would have a material adverse effect on the financial statements of OCC.

Note 15. Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes— an interpretation of FASB Statement No. 109 (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for OCC in 2007. OCC is currently evaluating the impact, if any, on its financial statements of adopting FIN 48.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans- an amendment of FASB Statements Nos. 87, 88, 106, and 132R (“SFAS No. 158”). This standard will require employers to fully recognize the obligations associated with single-employer defined benefit pension, retiree healthcare and other postretirement plans in their financial statements. Specifically SFAS No. 158 requires an employer to:

(a) Recognize in its statement of financial position an asset for a plan’s overfunded status or a liability for a plan’s underfunded status.

(b) Measure a plan’s assets and its obligations that determine its funded status as of the end of the employer’s fiscal year (with limited exceptions).

(c) Recognize changes in the funded status of a defined benefit postretirement plan in the year in which the changes occur. Those changes will be reported in comprehensive income of a business entity and in changes in net assets of a not-for-profit organization.

SFAS No. 158 applies to plan sponsors that are public and private companies. The requirement to recognize the funded status of a benefit plan and the disclosure requirements are effective for OCC in 2007. The requirement to measure plan assets and
benefit obligations as of the date of the employer’s fiscal year-end statement of financial position is effective for OCC in 2008.

OCC is currently evaluating the impact, if any, on its financial statements of adopting SFAS 158.

In September 2006, FASB issued Statement of Accounting Standards No. 157, Fair Value Measurements ("SFAS No. 157"). This standard expands the disclosure that is required for the use of fair value to measure assets and liabilities. The new disclosure will focus on the inputs used to measure fair value and the effect, if any, on the measurements on earnings (or changes in net assets) for the period. SFAS 157 is effective for OCC in 2008. OCC is currently evaluating the impact, if any, on its financial statements of adopting SFAS 157.

TO THE BOARD OF DIRECTORS OF THE OPTIONS CLEARING CORPORATION:

We have audited the accompanying statements of financial condition of The Options Clearing Corporation (the “Corporation”) as of December 31, 2006 and 2005 and the related statements of income and retained earnings, comprehensive income and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Corporation’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Corporation at December 31, 2006 and 2005 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Chicago, Illinois
February 2, 2007
### clearing members

**As of December 31, 2006**

| A | ABN AMRO Incorporated  
ADP Clearing & Outsourcing Services, Inc.  
Abbey National Securities Inc.  
American Enterprise Investment Services, Inc.  
Ameritrade, Inc.  
Archipelago Securities, L.L.C.  
Assent LLC |
|---|---|
| B | BMO Nesbitt Burns Inc.*  
BNP Paribas Securities Corp.  
Robert W. Baird & Co. Incorporated  
Banc of America Securities LLC  
Barclays Capital Inc.  
Bear, Stearns Securities Corp.  
Sanford C. Bernstein & Co., LLC  
William Blair & Company, L.L.C. |
| C | CIBC World Markets Corp.  
CIBC World Markets Inc.*  
Calyon Financial Inc.  
Calyon Securities (USA) Inc.  
Cantor Fitzgerald & Co.  
Citadel Trading Group L.L.C.  
Citigroup Global Markets Inc.  
Compass Professional Services, LLC  
Credit Suisse Securities (USA) LLC |
| D | Daiwa Securities America, Inc.  
Deutsche Bank Securities Inc.  
Dundee Securities Corporation* |
| E | E*TRADE Clearing LLC  
EWT, LLC  
A.G. Edwards & Sons, Inc.  
Electronic Brokerage Systems, Inc. |
| F | Ferris, Baker Watts, Incorporated  
Fimat Preferred, LLC  
Fimat USA, LLC.  
First Clearing, LLC  
First Southwest Company  
Fortis Clearing Americas LLC  
Fortis Securities, LLC |
| G | Gelber Group, LLC  
Goldman, Sachs & Co.  
Goldman Sachs Execution & Clearing, L.P.  
Greenwich Capital Markets, Inc. |
| H | H&R Block Financial Advisors, Inc.  
HSBC Securities (USA) Inc.  
J.J.B. Hilliard, W.L. Lyons, Inc. |
| I | ING Financial Markets LLC  
Ingalls & Snyder LLC  
Interactive Brokers LLC |
| J | Janney Montgomery Scott LLC  
Jefferies & Company, Inc. |
| K | KDC Merger Arbitrage Fund, LP  
KV Execution Services LLC |
| L | LaBranche Financial Services, Inc.  
Lakeshore Securities, L.P.  
Legent Clearing LLC  
Lehman Brothers Inc.  
Lek Securities Corporation  
Linsco/Private Ledger Corp. |
| M | MS Securities Services Inc.  
Bernard L. Madoff Investment Securities LLC  
Man Financial Inc.  
Man Securities Inc  
Maple Securities U.S.A. Inc.  
McDonald Investments Inc.  
Merrill Lynch, Pierce, Fenner & Smith Incorporated  
Merrill Lynch Professional Clearing Corp.  
Mesirow Financial, Inc.  
Morgan, Keegan & Company, Inc.  
J.P. Morgan Futures Inc.  
J.P. Morgan Securities Inc.  
Morgan Stanley & Co. Incorporated  
Morgan Stanley DW Inc. |
| N | NYFIX Clearing Corporation  
Natexis Bleichroeder Inc.  
National Bank Financial Inc.*  
National Financial Services LLC  
National Investor Services Corp.  
Neuberger Berman, LLC  
Nomura Securities International, Inc. |
| O | Oppenheimer & Co. Inc.  
optionsXpress, Inc. |
| P | Penson Financial Services, Inc.  
Pershing LLC  
Piper Jaffray & Co.  
Prime Dealer Services Corp.  
Pru Global Securities, LLC  
Prudential Financial Derivatives, LLC |
| R | RBC Capital Markets Corporation  
RBC Dain Rauscher Inc.  
RBC Dominion Securities Inc.*  
Raymond James & Associates, Inc. |
| S | SG Americas Securities, LLC  
SMW Trading Company, Inc.  
Schonfeld Securities, LLC  
Charles Schwab & Co., Inc.  
Scotia Capital Inc.*  
Scott & Stringfellow, Inc.  
Scottrade, Inc.  
Southwest Securities, Inc.  
Stephens Inc.  
Stifel, Nicolaus & Company, Incorporated  
StockCross Financial Services, Inc.  
Swiss American Securities Inc. |
| T | TD Waterhouse Canada Inc.*  
Terra Nova Trading, L.L.C.  
Timber Hill LLC  
TradeLink L.L.C.  
TradeStation Securities, Inc.  
Tradition Asiel Securities Inc. |
| U | UBS Clearing Services Corp.  
UBS Financial Services Inc.  
UBS Securities LLC  
USAA Investment Management Company |
| W | Wedbush Morgan Securities, Inc.  
H.G. Wellington & Co. Inc. |
| Z | Ziv Investment Company |

*Non-U.S. Clearing Member
CUSTODIAN BANKS
ALABAMA
AM South Bank
CALIFORNIA
Union Bank of California
GEORGIA
Sun Trust Bank
ILLINOIS
Harris N.A.
The Northern Trust Company
MARYLAND
Mercantile-Safe Deposit & Trust Company
MASSACHUSETTS
Investors Bank & Trust
State Street Bank & Trust Company
MICHIGAN
Comerica Bank
MINNESOTA
Wells Fargo Bank Minnesota, N.A.
NEW JERSEY
U.S. Trust Company, N.A.
NEW YORK
The Bank of New York
Citibank, N.A.
JP Morgan Chase Bank, N.A.
OHIO
The Fifth Third Bank
Keybank National Association
National City Bank
PENNSYLVANIA
Mellon Trust of New England
PNC Bank, N.A.
TEXAS
Bank of America, N.A.
WISCONSIN
M&I Marshall & Ilsley Bank
U.S. Bank, N.A.
operations roundtable members
As of December 31, 2006

CLEARING MEMBERS
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CGMI
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Goldman Sachs Execution
& Clearing, L.P.
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Thomas Sproules
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oic roundtable members
As of December 31, 2006

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Managing Director
Interactive Brokers LLC
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Merrill Lynch & Co. Inc.
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Boston Options Exchange
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Head of Options Business Development
International Securities Exchange, LLC
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Head of Marketing Communications
International Securities Exchange, LLC
Margaret Nagle
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Barry S. Nobel
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Goldman, Sachs & Co.

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### EXCHANGES

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NYSE Group

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E*TRADE Clearing LLC

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Securities Lending Group  
Fimat USA, LLC

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**William J. Pepe Jr.**  
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Interactive Brokers LLC/ Timber Hill LLC

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**Brian Pagnanelli**  
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Senior Vice President & Chief Operating Officer of Operations  
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**Gerard A. Losurdo**  
Vice President, Securities Lending  
Swiss American Securities Inc.

**John E. Nacincik**  
Executive Director, Global Head Securities Lending Operations  
UBS Securities LLC

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Executive Vice President & General Manager, Loanet Division  
SunGard Securities Finance Inc.
technology subcommittee
As of December 31, 2006

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Banc of America Securities LLC

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Consultant, Cash Securities Technology
Banc of America Securities LLC

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Bear, Stearns Securities Corp.

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Credit Suisse Securities (USA) LLC

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Melva S. Demmer
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Depository Trust Clearing Corporation

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Securities Industry Automation Corporation

Michael Lamberg
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Securities Industry Automation Corporation

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Thomson/BETA Systems

Michael K. Sullivan
Chief Technology Officer
Thomson/BETA Systems
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