



CHX Holdings, Inc. and Subsidiary

Consolidated Financial Statements
Years-Ended December 31, 2010 and 2009

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



CHX Holdings, Inc. and Subsidiary

Consolidated Financial Statements
Years-Ended December 31, 2010 and 2009

CHX Holdings, Inc. and Subsidiary

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Independent Auditors' Report

To the Board of Directors of
CHX Holdings, Inc. and Subsidiary
Chicago, Illinois

We have audited the accompanying consolidated balance sheet of CHX Holdings, Inc. and Subsidiary (the "Exchange") as of December 31, 2010, and the related consolidated statements of operations, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Exchange's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of CHX Holdings, Inc. and Subsidiary as of December 31, 2009, were audited by other auditors whose report dated April 26, 2010, expressed an unqualified opinion on those statements.

We conducted our audit 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 Exchange'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 audit provides a reasonable basis for our opinion.

In our opinion, the 2010 consolidated financial statements referred to above present fairly, in all material respects, the financial position of CHX Holdings, Inc. and Subsidiary as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BDO USA, LLP
April 19, 2011

Financial Statements

CHX Holdings, Inc. and Subsidiary

Consolidated Balance Sheets

<i>December 31,</i>	2010	2009
Assets		
Current Assets:		
Cash and cash equivalents	\$ 7,676,000	\$ 7,281,000
Accounts receivable – net	2,486,000	3,205,000
Prepaid expenses	686,000	816,000
Other current assets	18,000	20,000
Total Current Assets	10,866,000	11,322,000
Noncurrent Assets		
Equipment, leasehold improvements, software and other capitalized costs – net	6,862,000	9,830,000
Other noncurrent assets	30,000	3,000
Total Noncurrent Assets	6,892,000	9,833,000
Total Assets	\$ 17,758,000	\$ 21,155,000

CHX Holdings, Inc. and Subsidiary

Consolidated Balance Sheets

<i>December 31,</i>	2010	2009
Liabilities and Shareholders' Equity		
Current Liabilities:		
Section 31 fees payable	\$ 1,851,000	\$ 3,724,000
Other current liabilities	2,500,000	3,020,000
Total Current Liabilities	4,351,000	6,744,000
Noncurrent Liabilities		
Note payable, net of note discount of \$875,000 and \$1,341,000, respectively	5,125,000	4,659,000
Nonqualified pension plan	2,531,000	2,866,000
Other noncurrent liabilities	2,304,000	3,494,000
Total Noncurrent Liabilities	9,960,000	11,019,000
Total Liabilities	14,311,000	17,763,000
Shareholders' Equity:		
Preferred stock, \$0.01 par value – 25,000 shares authorized:		
Series A – 3,563 shares authorized and 2,250 shares of Series A convertible stock, convertible into 225,000 shares of common stock, issued and outstanding; aggregate liquidation preference of \$20 million	18,328,000	18,328,000
Series B – 1,500 shares authorized and 267.38 shares of Series B convertible stock, convertible into 26,378 shares of common stock, issued and outstanding	-	-
Common stock, \$0.01 par value – 900,000 shares authorized; 450,000 shares issued and outstanding	5,000	5,000
Additional paid-in capital	23,705,000	23,705,000
Accumulated deficit	(38,270,000)	(38,006,000)
Accumulated other comprehensive loss	(321,000)	(640,000)
Total Shareholders' Equity	3,447,000	3,392,000
Total Liabilities and Shareholders' Equity	\$ 17,758,000	\$ 21,155,000

See accompanying notes to consolidated financial statements and independent auditors' report.

CHX Holdings, Inc. and Subsidiary
Consolidated Statements of Operations

<i>Year ended December 31,</i>	2010	2009
Revenues		
Transaction fees – net of institutional broker credits of \$2,320,000 and \$2,563,000, respectively	\$ 13,019,000	\$ 14,006,000
Participant services and fees	3,638,000	3,539,000
Market data fees	1,639,000	2,018,000
Trading permit fees	901,000	977,000
Listing fees	296,000	341,000
Interest	19,000	28,000
Total revenues	19,512,000	20,909,000
Expenses		
Employee compensation and benefits	9,421,000	10,385,000
Depreciation and amortization	3,613,000	3,803,000
Communications, equipment and related costs	2,411,000	3,438,000
Facilities rent, maintenance and utilities	1,837,000	2,668,000
Professional and other outside services	1,247,000	2,226,000
General and administrative	781,000	869,000
Interest expense	466,000	335,000
Lease termination cost	-	4,324,000
Impairment of other capitalized costs	-	1,965,000
Total expenses	19,776,000	30,013,000
Loss before income taxes	(264,000)	(9,104,000)
Income tax expense	-	1,000
Net loss	(264,000)	(9,105,000)
Minimum Pension Liability Adjustment	319,000	(150,000)
Comprehensive Income (Loss)	\$ 55,000	\$ (9,255,000)

*See accompanying notes to consolidated financial statements
and independent auditors' report.*

CHX Holdings, Inc. and Subsidiary
Consolidated Statements of Shareholders' Equity

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, January 1, 2009	2,250	\$ 18,328,000	267	\$ -	450,000	\$ 5,000	\$ 23,705,000	\$ (28,901,000)	\$ (490,000)	\$ 12,647,000
Net loss	-	-	-	-	-	-	-	(9,105,000)	-	(9,105,000)
Other comprehensive loss	-	-	-	-	-	-	-	-	(150,000)	(150,000)
Total comprehensive loss	-	-	-	-	-	-	-	-	-	(9,255,000)
Balance, December 31, 2009	2,250	18,328,000	267	-	450,000	5,000	23,705,000	(38,006,000)	(640,000)	3,392,000
Net loss	-	-	-	-	-	-	-	(264,000)	-	(264,000)
Other comprehensive income	-	-	-	-	-	-	-	-	319,000	319,000
Total comprehensive income	-	-	-	-	-	-	-	-	-	55,000
Balance, December 31, 2010	2,250	\$ 18,328,000	267	\$ -	450,000	\$ 5,000	\$ 23,705,000	\$ (38,270,000)	\$ (321,000)	\$ 3,447,000

*See accompanying notes to consolidated financial statements
and independent auditors' report.*

CHX Holdings, Inc. and Subsidiary
Consolidated Statements of Cash Flows

<i>Year ended December 31,</i>	2010	2009
Cash Flows From Operating Activities		
Net loss	\$ (264,000)	\$ (9,105,000)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,613,000	3,803,000
Loss on sale of equipment	-	26,000
Impairment of other capitalized costs	-	1,965,000
Lease termination fee	-	4,324,000
Interest expense	466,000	335,000
Changes in:		
Accounts receivable – net	719,000	35,000
Prepaid expenses	130,000	296,000
Other current assets	2,000	-
Other noncurrent assets	(27,000)	56,000
Section 31 fees payable	(1,873,000)	2,792,000
Other accounts payable	(44,000)	(45,000)
Accrued compensation	23,000	(430,000)
Other current liabilities	(499,000)	215,000
Noncurrent liabilities	(1,206,000)	578,000
Net cash provided by operating activities	1,040,000	4,845,000
Cash Flows From Investing Activities		
Capital expenditures	(645,000)	(4,499,000)
Cash Flows From Financing Activities		
Proceeds from sales of equipment	-	29,000
Net Increase in Cash and Cash Equivalents	395,000	375,000
Cash, at beginning of year	7,281,000	6,906,000
Cash, at end of year	\$ 7,676,000	\$ 7,281,000
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for income taxes	\$ -	\$ 1,000
Supplemental Disclosure of Noncash Financing Activities		
Issuance of note payable to lessor	\$ -	\$ 4,324,000

*See accompanying notes to consolidated financial statements
and independent auditors' report.*

CHX Holdings, Inc. and Subsidiary

Notes to Consolidated Financial Statements

1. Description of Business

CHX Holdings, Inc. (CHX Holdings) is a for-profit, Delaware stock corporation. The Chicago Stock Exchange, Inc. (CHX) is an equity exchange in the United States of America. The consolidated financial statements include the accounts of CHX Holdings, Inc. and its wholly-owned subsidiary, the Chicago Stock Exchange, Inc. (collectively "the Exchange").

In July 2006, CHX Holdings entered into a strategic transaction in connection with the investment by Banc of America Strategic Investments Corporation; Bear REX, Inc., an affiliate of Bear, Stearns & Co., Inc., which was subsequently acquired by JPMorganChase, Inc.; E*Trade Capital Markets Execution Services, LLC; and The Goldman Sachs Group, Inc. (collectively, the "Investors"). The transaction involved the issuance of 2,250 shares of Series A Convertible Preferred Stock, \$0.01 par value per share (Series A Preferred). These securities are further discussed in Note 7.

2. Basis of Presentation

As shown in the financial statements, the Exchange generated \$55,000 of comprehensive income compared to a loss of \$9,255,000 for the years ended December 31, 2010 and 2009, respectively. The income generated in 2010 reversed a trend of significant losses experienced by the Exchange in prior years. The losses had a significant negative impact on the Exchange's cash position in prior years. In 2010, the Exchange generated \$395,000 of cash and cash equivalents which also reversed a trend of declining cash and cash equivalents.

In 2010, the Exchange continued to reduce its expenses. The Exchange, as a result of 2009 salary and headcount reductions, realized additional savings in 2010 in employee compensation and benefits expense. In March 2009, the Exchange amended its December 2000 restated lease, as further discussed in Note 13, and as a result reduced its rent expense compared to 2009. The Exchange realized additional savings in professional and other outside services expense in 2010 by reducing the usage of professional services and consultants. Additional expense savings were realized as the Exchange continued to reduce its telecommunication and equipment costs.

Management continues to explore and implement cost-savings measures and other efforts to conserve cash. Management believes that the cash and cash equivalents balances available at December 31, 2010 are sufficient to fund the operations and investments of the Exchange during 2011.

3. Summary of Significant Accounting Policies

Consolidation

All CHX Holdings and CHX intercompany balances and transactions have been eliminated in consolidation.

Cash Equivalents

Cash equivalents consist principally of money market funds which invest in U.S. Treasury bills, notes, bonds, other U.S. obligations issued or guaranteed by the U.S. Treasury and securities purchased under resale agreements collateralized by U.S. Government securities.

CHX Holdings, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Depreciation and Amortization

Depreciation is provided on the straight-line method over useful lives of generally three to five years for computer equipment and four to ten years for other equipment and office furnishings. Leasehold improvements are amortized over the shorter of the life of the asset or the term of the lease. Capitalized labor costs are amortized using a straight-line method typically over three to five years, consistent with the life of the underlying asset (primarily internally-developed software).

Impairment of Long-Lived Assets

Long-lived assets are reviewed 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 estimated recoverable value.

Income Taxes

Income tax expense is calculated under the liability method. Accordingly, deferred tax assets and liabilities are determined based upon the differences between financial statement carrying amounts and the tax bases of existing assets and liabilities and are measured at the tax rates that will be in effect when these differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized against future taxable income.

In July 2006, the FASB issued certain provisions of ASC 740 related to accounting for uncertainty in income taxes (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No.109*). ASC 740 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity before being measured and recognized in the financial statements. ASC 740 requires the evaluation of tax positions taken in the course of preparing the tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. Management adopted ASC 740 in 2009. The adoption of ASC 740 did not have a significant impact on the Exchange's consolidated financial position, results of operations or cash flows. CHX records interest and penalties on uncertain tax positions as income tax expense. CHX had no such interest or penalties expense in 2010 or 2009.

Revenue Recognition

Transaction fees are imposed on certain trades and clearing activity executed by CHX institutional brokers and are recorded as of the trade date. Institutional brokers earn a monthly transaction fee credit based upon a formula that incorporates the total number of shares executed on CHX by the floor broker for which CHX received a transaction fee. *Liquidity fees and rebates* are imposed on trades executed in the CHX matching system. Fees are charged if liquidity is taken from the matching system and rebates are credited if liquidity is provided to the matching system. Such fees and rebates are included in transaction fees in the consolidated statements of operations. *Participant services and fees* consist principally of connectivity fees, trading space rent, purchases of services by CHX and rebilled to participants and other fees. Such fees are recognized over the

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period the fees are earned. *Market data fees* are earned on the sale of market transaction information and are derived from market share data. Market data fees are recorded on an accrual basis when earned. *Trading permit fees* are recognized on an accrual basis when earned. *Listing fees* represent fees charged to security issuers for listing on CHX and are recognized ratably over the year for maintenance listings and as incurred for additional listings.

Concentration of Transaction Fees Revenue

Certain CHX customers have business relationships with CHX institutional brokers and as a result, send orders to such brokers for execution. CHX has a small number of institutional broker firms that transact such business. Two firms were responsible for the generation of approximately 77% of total transaction fees in 2010 and 2009. If either of those firms was to sever their relationship with CHX and the related transactions were not executed by the remaining CHX brokers, CHX would be exposed to a significant amount of risk from the loss of such revenue. That risk is mitigated somewhat by the ability of other CHX institutional broker firms to compete for the activity generated by the originator of such orders.

Estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements. Actual amounts realized may differ from those estimates.

Reclassifications

Certain 2009 amounts have been reclassified to conform to the 2010 presentation.

4. Accounts Receivable - net

Accounts receivable – net at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Accounts receivable	\$ 2,081,000	\$ 2,713,000
Market data fees receivable	372,000	420,000
Other receivables	78,000	129,000
Subtotal	2,531,000	3,262,000
Less allowance	(45,000)	(57,000)
Total	\$ 2,486,000	\$ 3,205,000

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5. Equipment, Leasehold Improvements, Software and Other Capitalized Costs

Equipment, leasehold improvements, software and other capitalized costs at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Equipment and office furnishings	\$ 2,924,000	\$ 4,306,000
Leasehold improvements	5,875,000	5,957,000
Software and other capitalized costs	9,363,000	10,018,000
Subtotal	18,162,000	20,281,000
Less accumulated depreciation and amortization	(11,300,000)	(10,451,000)
Total	\$ 6,862,000	\$ 9,830,000

Software and other capitalized costs include purchased computer software, external costs specifically identifiable to the implementation of new systems and certain payroll and payroll-related costs for employees who are directly associated with developing computer software for internal use.

The Exchange capitalized costs for computer software development in the amounts of \$0 and \$71,000 for the years ended December 31, 2010 and 2009, respectively. Amortization expense for computer software development was \$1,837,000 and \$1,912,000 for 2010 and 2009, respectively. For the years 2011 through 2015, the remaining estimated total amortization expense will be approximately \$2,034,000.

In 2009, CHX incurred impairment charges of \$1,965,000 related to capitalized costs specifically identified to the surrendered space related to the amended lease (see Note 13).

6. Other Current Liabilities

Other current liabilities at December 31, 2010 and 2009, consisted of the following:

	2010	2009
Accrued rent	\$ 554,000	\$ 575,000
Credits to participants and other payables	472,000	712,000
Rent abatement (Note 13)	373,000	373,000
Accrued operating expenses	350,000	597,000
Accrued compensation	275,000	252,000
Tenant improvement allowance (Note 13)	264,000	264,000
Nonqualified pension plan	212,000	247,000
Total	\$ 2,500,000	\$ 3,020,000

7. Shareholders' Equity

Preferred Stock

CHX Holdings has authorized 25,000 shares of \$0.01 par value preferred stock.

CHX Holdings, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Series A

In July 2006, as part of a strategic transaction, 3,563 shares of preferred stock were designated Series A Preferred. Each share is convertible into 100 shares of common stock. In July 2006, CHX Holdings issued 2,250 shares of Series A Preferred to certain investors.

The Certificate of Designations sets forth the privileges and restrictions of the Series A Preferred. In the event of any merger, consolidation, sale, lease, transfer, exclusive license or other disposition of substantially all the assets of the corporation or a dissolution or winding up of the corporation, whether voluntary or involuntary (a "Deemed Liquidation Event"), as defined in the Certificate of Designations, the holders of the Series A Preferred are entitled to either (i) be paid out of the assets of the Company available for distribution to its shareholders and before any payment shall be made to holders of junior securities, an amount per share equal to the Series A Preferred original issue price of \$8,888.89 plus dividends declared but not paid or (ii) convert their Series A Preferred into common stock and participate in the distribution of assets on a pro-rata basis with the holders of common stock. During 2010 and 2009, no dividends were declared or paid on the Series A Preferred.

Series B

In October 2007, the Board of Directors (the "Board") of CHX Holdings, as part of the CHX Holdings Long-Term Incentive Plan (LTIP), authorized the designation of 1,500 shares of preferred stock as Series B Convertible Preferred Stock. An aggregate of 1,050 shares would be available for awards under the plan, which may be granted in the form of nonqualified stock options, restricted stock, restricted stock units and bonus stock. Awards may vest based on continued service, satisfaction of performance goals or both service and performance. The Series B Convertible Preferred Stock was designed to act as a common stock equivalent. Each share may be converted into 100 shares of common stock by a majority vote of the Board. The Compensation Committee of the Board may select eligible persons to receive awards and determine the form, amount and timing of each award and all other terms and conditions of each award, including the number of shares subject to the award and the vesting period and applicable performance goals. Upon a change in control of CHX, the Board, in its discretion, may (i) cause some or all outstanding awards to become fully vested and/or exercisable; (ii) cause outstanding awards to be converted into awards relating to the stock of CHX resulting from the transaction (or CHX Holdings), with or without accelerated vesting; or (iii) cause all outstanding awards, with or without accelerated vesting, to be canceled in exchange for a cash payment equal to, in the case of an option, the intrinsic value, at the time of the change in control or, in the case of a restricted stock or restricted stock unit award, the value of the award at the time of the change in control. The plan will terminate 10 years after its effective date unless terminated earlier by the Board.

The Series B Certificate of Designations was approved by the Board conditioned on receipt of approval of at least 55% of the Series A Preferred Stock. In June 2008, the Series A Preferred stockholders approved the LTIP and the Certificate of Designations was filed with the Delaware secretary of state.

In April 2008, CHX Holdings granted, conditioned upon Series A Preferred stockholders approval, an aggregate of 351.61 shares of restricted Series B Convertible Preferred Stock under the LTIP. One-third of the restricted shares may become vested on each of December 31, 2010, 2009, and 2008, provided the restricted shareholder remains continuously employed through the applicable vesting date and that CHX Holdings meets certain cash thresholds. Due to employee changes,

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267.38 shares of Series B Convertible Preferred stock remain issued and outstanding as of December 31, 2010 and 2009 and none of the shares were vested. During 2010 and 2009, no dividends were declared or paid on the Series B Convertible Preferred Stock.

Common Stock

In July 2006, as part of a strategic transaction, an additional 150,000 shares of \$0.01 par value common stock were authorized. As a result, 900,000 shares of common stock were authorized and 450,000 shares were outstanding at December 31, 2010 and 2009. CHX Holdings common stock is a restricted security under the Securities Act of 1933 and is subject to specific ownership, voting and transfer restrictions. Subject to applicable limitations under Delaware law, holders of CHX Holdings common stock are entitled to receive such dividends or other distributions as may be declared by the Board out of funds legally available for those purposes. During 2010 and 2009, no dividends were declared or paid on the common stock.

8. Contingencies

From time to time, the Exchange is involved in litigation that is incidental to its business. Management is not aware of any ongoing litigation involving CHX.

CHX's participants are regulated by CHX and by the Securities and Exchange Commission (SEC). Both of these organizations can conduct investigations of participant conduct and sanction participants for violations of CHX and SEC rules as well as for violations of the federal securities laws. The SEC and CHX were conducting investigations of certain trading activity by former CHX specialist firms, focusing on instances where a former specialist firm might have traded for its own account to the disadvantage of customer orders.

On March 4, 2009, the SEC announced that it had settled civil injunctive actions against six of the former CHX specialist firms that were being investigated. While the SEC's investigation continues with respect to certain other firms, the settlements cover the majority of the trading activity that was the subject of the investigation. CHX management is not aware of any pending or threatened litigation related to this matter that would have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Exchange.

9. Income Taxes

The provision for income taxes for the years ended December 31, 2010 and 2009 consisted of the following:

<i>December 31,</i>		2010		2009
Current				
Federal	\$	-	\$	-
State		-		1,000
Total		-		1,000
Deferred				
Federal		-		-
State		-		-
Total		-		-
Income tax expense	\$	-	\$	1,000

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The provision for federal income taxes differed from that obtained at the statutory rate as follows:

	2010	2009
Federal income tax benefit - at stationary rate of 34%	\$ (90,000)	\$ (3,095,000)
State income tax expense - net federal tax effect	-	1,000
Valuation and reserve adjustments	86,000	3,091,000
Nondeductible expenses	4,000	4,000
Income tax expense	\$ -	\$ 1,000

The gross deferred tax assets and liabilities at December 31, 2010 and 2009 were as follows:

<i>December 31,</i>	2010	2009
Deferred tax assets:		
Current:		
Accrued rent	\$ 200,000	\$ 203,000
Accrued professional fees	27,000	83,000
Deferred compensation	24,000	24,000
Allowance for bad debts	15,000	20,000
Other	33,000	34,000
Total current	299,000	364,000
Noncurrent:		
Net operating loss carryforward	13,293,000	13,428,000
Basis difference in fixed assets	3,764,000	3,386,000
Deferred rent	1,768,000	1,709,000
Pension and ASC 715 accruals	933,000	1,075,000
Alternative minimum tax credit carryforward	91,000	91,000
Charitable contribution carryforward	-	3,000
Other	659,000	670,000
Total noncurrent	20,508,000	20,362,000
Subtotal	20,807,000	20,726,000
Valuation allowance	(20,640,000)	(20,497,000)
Total deferred tax assets	167,000	229,000
Deferred tax liabilities:		
Current - prepaid expenses	(167,000)	(229,000)
Total deferred tax liabilities	(167,000)	(229,000)
Net deferred tax assets and liabilities	\$ -	\$ -

The Exchange believes that it is more likely than not that as of December 31, 2010 and 2009, all of the net deferred tax assets will not be recognized and will not provide a consolidated financial statement benefit in the future. Based upon consideration of the Exchange's history of operating losses and the uncertainty of overall Exchange profitability in the future, management believes

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Notes to Consolidated Financial Statements

that the valuation allowance of \$20,640,000 and \$20,497,000 at December 31, 2010 and 2009, respectively, was sufficient to reduce the net deferred tax assets to \$ 0.

At December 31, 2010, the Exchange has federal and state net operating loss (NOL) carryforwards available for reduction of future income tax liabilities. The gross federal net operating loss carryforwards of \$42,229,000 expire at various dates between 2024 and 2029. The post-apportionment state net operating loss carryforwards of \$41,378,000 expire at various dates between 2015 and 2029.

The statute of limitations is normally three years from the extended due date of the return for federal and state tax purposes, however for taxpayer's with NOLs, the statute is effectively open to any year in which an NOL was generated. The statute of limitations for CHX is effectively open for the years of 2004 through 2010 and 2003 through 2010 for federal and state tax purposes, respectively.

CHX's 2005 and 2006 federal tax returns were examined by the Internal Revenue Service ("IRS") with no adjustments to taxable income. CHX's 2004, 2007, 2008 and 2009 federal tax returns have not been examined by the IRS.

CHX's 2004, 2005, 2007 and 2008 Illinois tax returns were examined by the State of Illinois with no adjustments to taxable income. CHX's 2003, 2006 and 2009 Illinois tax returns have not been examined by the State of Illinois.

At December 31, 2010, CHX had no pending federal or state tax income tax audits.

10. Employee Benefit Plans

The Exchange has a nonqualified defined benefit pension plan that covers all eligible employees as defined. The Exchange also had a qualified defined benefit pension plan and a retiree medical plan which were terminated in 2007 and 2008, respectively.

The nonqualified pension plan, with an aggregate projected benefit obligation of \$2,744,000 and \$3,113,000 as of December 31, 2010 and 2009, respectively, is unfunded. In September 2004, the Exchange froze the future benefit accruals for the nonqualified defined benefit pension plan. The elimination of future benefit accruals triggered a curtailment event under ASC 715, *Compensation—Retirement of Benefits*, (formerly FASB Statement No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*).

In July 2008, the Board of Directors approved the termination of the retiree medical plan for current employees and retirees and offered an "access only" option effective January 1, 2009, to current covered individuals who pay the full premium cost for benefits. As a result, the accumulated post-retirement benefit obligation was reduced to \$0 at December 31, 2008.

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A reconciliation of beginning and ending balances of the projected benefit obligations, certain actuarial assumptions, fair value of plan assets, the funded status of the plan and the components of pension cost at December 31, 2010 and 2009 for the nonqualified defined benefit plan is indicated below:

	2010	2009
Change in projected benefit obligation:		
Benefit obligation, at beginning of year	\$ 3,113,000	\$ 3,022,000
Interest cost	172,000	181,000
Net actuarial (loss) gain	(300,000)	160,000
Benefits paid	(241,000)	(250,000)
Projected benefit obligation, at end of year	\$ 2,744,000	\$ 3,113,000

Weighted-average assumptions used to determine benefit obligations at December 31, 2010 and 2009, are as follows:

	2010	2009
Discount rate	5.25%	5.75%
Rate of compensation increase	N/A	N/A

Change in fair value of plan assets for 2010 and 2009 is as follows:

	2010	2009
Change in plan assets:		
Fair value of plan assets, at beginning of year	\$ -	\$ -
Employer contribution	241,000	250,000
Benefits paid	(241,000)	(250,000)
Fair value of plan assets, at end of year	\$ -	\$ -

Funded status at December 31, 2010 and 2009 is as follows:

	2010	2009
Projected benefit obligation	\$ (2,744,000)	\$ (3,113,000)
Fair value of plan assets	-	-
Net amount recognized	\$ (2,744,000)	\$ (3,113,000)

Amounts recognized in the consolidated balance sheets at December 31, 2010 and 2009 are as follows:

	2010	2009
Current liabilities	\$ (213,000)	\$ (247,000)
Noncurrent liabilities	(2,531,000)	(2,866,000)
Net amount recognized	\$ (2,744,000)	\$ (3,113,000)

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Amounts recognized in accumulated other comprehensive income at December 31, 2010 and 2009 are as follows:

	2010	2009
Net accrual gain (loss)	\$ 319,000	\$ (150,000)
Net amount recognized	\$ 319,000	\$ (150,000)

The accumulated benefit obligation for the nonqualified pension plan was \$2,744,000 and \$3,113,000 at December 31, 2010 and 2009, respectively.

Components of net periodic benefit cost at December 31, 2010 and 2009 are as follows:

	2010	2009
Interest cost	\$ 172,000	\$ 181,000
Recognized net actuarial loss	18,000	10,000
Net periodic benefit cost	\$ 190,000	\$ 191,000

Estimated future benefit payments, which reflect expected future service at December 31, 2010 are as follows:

Years ending December 31,

2011	\$ 218,000
2012	215,000
2013	213,000
2014	208,000
2015	228,000
2016-2020	1,060,000

Weighted-average assumptions used to determine net periodic benefit costs for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Discount rate	5.25%	5.75%

The Exchange maintains a savings plan pursuant to Section 401(k) of the Internal Revenue Code whereby all employees are eligible participants and have the option to contribute to the plan.

In July 2008, the Exchange, in connection with the termination of the qualified defined benefits pension plan, amended the savings plan to provide for a non-elective contribution for all employees which replaced the discretionary matching contribution in the savings plan. The non-elective contributions under the amended plan commenced January 2009, at which time the previous discretionary employer matching contributions were suspended. The non-elective contributions were equal to 3% of eligible employee compensation and were made from excess funds transferred to the savings plan from the terminated qualified defined benefits pension plan.

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Effective June 2010, the Board of Directors reinstated a discretionary match for eligible participating employees which replaced the non-elective contribution in the savings plan. The discretionary employer matching contribution is equal to \$0.50 per \$1.00 up to the first 6% of eligible contributions, a maximum 3% contribution for eligible participating employees. The Exchange's non-elective contributions and discretionary employer matching contributions to the savings plan for 2010 were \$91,000 and \$67,000, respectively. The Exchange's non-elective contributions to the savings plan were \$242,000 for 2009.

The Exchange has future obligations under deferred compensation arrangements with certain executives, which vest pursuant to the respective plans, and are unfunded. Two agreements vested and terminated in January 2009 upon payment of the awards. The remaining three agreements vest and are paid annually over three and four year periods and terminate in January 2011. The agreements vest pro rata on January 1 provided that the employee remains continuously employed through the vesting date. These obligations total approximately \$70,000 as of December 31, 2010 and 2009 and are included in accrued compensation.

See Note 7 for discussion of LTIP and Series B Convertible and Preferred Stock.

11. Note Payable

In March 2009, the Exchange amended its December 2000 restated lease (see Note 13). In consideration of the lessor agreeing to terminate the lease with respect to the surrendered space, the Exchange executed an interest bearing promissory note in the amount of \$6,000,000. The note is due on March 1, 2019 and is interest free until March 1, 2011, at which time the annual interest rate is 8%. Interest is payable quarterly in arrears, on the first day of June, September, December and March for the immediately preceding calendar quarter with the first payment due June 1, 2011. In accordance with ASC 835-30, *Imputation of Interest*, the note was initially recorded at its fair value of \$4,324,000, which is based on management's estimate of an Exchange-specific rate of 10% that would apply to a comparable 10-year loan to the Exchange from an outside lender. Interest expense of 10% is recognized over the life of the note based on the effective interest method which takes into account the note's discount of \$1,676,000 and its annual 8% interest rate. For the years ended December 31, 2010 and 2009, the Exchange recorded interest expense of \$466,000 and \$335,000, respectively. Since the fair value of the note represents the consideration to be paid to the lessor for agreeing to terminate the lease with respect to the surrendered space, the Exchange recorded lease termination expense of \$4,324,000 in 2009 equal to the fair value of the note.

12. Other Noncurrent Liabilities

The components of other noncurrent liabilities included in the consolidated balance sheets at December 31, 2010 and 2009 were as follows:

	2010	2009
Rent abatement (Note 13)	\$ 1,306,000	\$ 1,678,000
Tenant improvement allowance (Note 13)	925,000	1,190,000
Accrued rent	73,000	626,000
Total	\$ 2,304,000	\$ 3,494,000

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13. Lease Arrangements and Commitments

The Exchange leases facilities and equipment under operating leases expiring at various dates through 2015. Certain leases contain renewal options and escalation clauses.

In December 2000, the Exchange amended and consolidated its space leases under a master leasing arrangement expiring in 2015. The amended lease became effective August 1, 2002. As an incentive for the Exchange to sign the new lease agreement, the lessor provided a tenant improvement allowance of approximately \$4,000,000. The Exchange used this allowance to pay for the cost of certain equipment, office furnishings and leasehold improvements. The allowance at December 31, 2010 and 2009 was \$1,190,000 and \$1,454,000, respectively, and is included in other current and noncurrent liabilities and is being recognized as a reduction of rental expenses on a straight-line basis over the term of the lease. The amount of and accounting for this allowance is not changed by the lease amendment discussed in the following paragraph.

In March 2009, the Exchange amended its December 2000 restated lease. The amendment allowed for the Exchange to surrender 87,433 square feet of its then current leased space and to lease an additional 25,426 square feet. The original lease expiration date of June 30, 2015 remained unchanged. As an incentive for the Exchange to sign the lease amendment, the lessor provided a rent abatement of approximately \$2,400,000 in 2009, all of which was used by the Exchange to pay for the cost of certain equipment, office furnishings and leasehold improvements. \$661,000 of the rent abatement was repaid to the lessor in 2010. An additional \$607,000 of the rent abatement will be repaid to the lessor in monthly installments in 2011.

The rent abatement allowance at December 31, 2010 and 2009 was \$1,679,000 and \$2,051,000, respectively, which are included in other current and noncurrent liabilities and is being recognized as a reduction of rental expense on a straight-line basis over the term of the new lease.

Minimum lease commitments, exclusive of taxes, maintenance and other related costs applicable to existing operating leases, at December 31, 2010 were as follows:

<i>Years ending December 31,</i>	Operating Leases
2011	\$ 2,080,000
2012	1,373,000
2013	1,388,000
2014	1,422,000
2015	720,000
Total	\$ 6,983,000

Net rent expense for 2010 and 2009 was \$2,052,000 and \$2,805,000, respectively. Rent expense includes base rent, taxes, maintenance and other costs related to leased property.

14. Subsequent Events

The Exchange has evaluated all subsequent events requiring recognition and disclosure in the consolidated financial statements through April 19, 2011, the date the consolidated financial statements were available for issuance.

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The CHX is regulated by the U.S. Securities and Exchange Commission ("SEC"). As a result, CHX is subject to periodic SEC audits and investigations of its business and regulatory operations. In January 2011, CHX received communication from the SEC regarding certain CHX transactions and its related rules. The SEC staff and CHX staff is currently discussing the issue. Management cannot predict the outcome on the ongoing discussions with the SEC. Although management cannot predict the outcome of the ongoing discussions, CHX pursuant to these discussions, may need to submit additional rule filings to the SEC. It is possible that CHX revenue may be impacted while the rule filings are under consideration.