



April 28, 2010
SN-2010-03

NOTICE TO STOCKHOLDERS

Management Business Summary
Year Ended December 31, 2009

Shareholders of CHX Holdings, Inc.:

In 2009, the Chicago Stock Exchange, Inc. (“CHX”) (as the primary operating subsidiary of CHX Holdings) focused its efforts on expense control and better aligning expenses with revenue. To that end we took the following actions:

- Reduction of staffing levels
- Elimination of annual salary increases and incentive bonus payments
- Implementation of an across-the-board salary reduction
- Efforts to reduce professional and outside service outlays
- Negotiation with our landlord to reduce our lease obligations by surrendering a substantial portion of our leased space, including the old CHX trading floor

We were successful in all of these efforts and while the full benefits of some of those actions will not be seen until we review 2010 financial results, we experienced these positive results in 2009:

- Employee compensation and benefits fell from \$13,265,000 to \$10,385,000 in spite of the inclusion of \$345,000 in severance and the fact that the salary reduction action occurred in March and the reduction in staff in May, reducing the full impact of these actions in 2009.
- The combined total of “Professional and other outside services” and “General and administrative expenses” fell from \$5,191,000 to \$3,095,000.
- Facilities expenses fell from \$5,273,000 to \$2,668,000 primarily due to the successful renegotiation of our lease.
- The company generated cash and cash equivalents of \$375,000.

The renegotiation of the real estate lease that runs until 2015 was a complex transaction which included issuance of a \$6,000,000 note due in 2019. As a result CHX recognized a non-cash expense of \$4,659,000 for lease termination costs. Accounting for the new lease also resulted in a \$1,965,000 impairment charge related to capitalized assets identified to the surrendered

space. The positive impact of the new lease showed in reduced facilities expense in 2009 and will result in an approximate \$13 million reduction in future rent payments through the end of the lease in 2015.

The lease changes necessitated a rapid relocation of the CHX Data Center. Since under the amended lease we continued to rent the eighth floor of the building complex at 440 South LaSalle Street and the terms of the amended lease required that we lease two full floors in the building, we relocated the data center from the fourth and fifth floors to a newly built-out seventh floor location. CHX staff performed admirably under difficult circumstances, without loss of telecom or systems connectivity, in providing a seamless transition for customers. The move also included the relocation of Institutional Broker customer/tenants into newly-configured trading space. Volume generated by these customers contributes substantially to CHX activity and revenue.

Other 2009 Accomplishments:

- Continued enhancement of the CHX matching system by reducing message turn-around time to one millisecond by the end of the year. We continue to improve on this key measure of system functionality and in 2010 we have measured single order turn-around time at 600 to 700 micro-seconds on a consistent basis.
- The addition of new high frequency proprietary trading customers, attracted to the CHX by orders resident on the CHX matching system.
- Initiation of extended hours trading sessions designed to attract additional volume and customers to the CHX.
- Adaptation of our fee structure to offer “provide” credits and “take” fees for activity in securities trading under \$1. That action attracted significant volume and revenue to the CHX.
- Work throughout the year by the CHX Listings department to qualify additional securities for trading on the exchange, adding 1712 issues through the course of 2009. This work continues and an additional 170 issues have been added in 2010.
- Initiation of work on routing capabilities which we hope will attract customers who desire that the CHX offer the option of routing orders to other markets when those orders would trade through or lock or cross the national best bid or offer.
- A change to the CHX and CHX Holdings by-laws in order to remove board member age restrictions which we felt were limiting the pool of talent from which the CHX and CHX Holdings could draw for Board nominees.

In 2009, CHX management considered establishment of an “equity for order flow” plan that would exchange CHX Holdings equity in return for trading volume sent to the exchange. Due to valuation complications resulting from the CHX Holdings ownership structure and the desire to keep transaction-related expenses to a minimum, we decided it was not in the best interest of shareholders to pursue such a plan. We will continue to monitor the environment and consider implementation of such a plan if we believe it would be in the best interests of CHX shareholders.

Although CHX or CHX Holdings could apply to the SEC to create additional exchange platforms to trade equities or equity options, we felt that revenue potential from those actions did not justify the significant expense of any such effort in 2009. We considered expanding our listings program in an attempt to increase the number of new primary listings; however, our estimate of the costs of such a venture exceeded the immediate potential revenue benefits. The company retains the ability to pursue such actions if circumstances warrant the expense in the future.

The CHX took significant actions in 2009 to reduce overhead and avoid unnecessary expenses in order to solidify the firm's financial position. Those actions have resulted in positive results in early 2010. During the first quarter of this year, the CHX generated approximately \$275,000 of income on revenues of approximately \$5,375,000 and expenses of approximately \$5,100,000. Monthly trading volumes in each of the first three months of 2010 surpassed those of the corresponding months in 2009 and first quarter transaction-related revenue in 2010 surpassed that generated in the first quarter of 2009.

In 2010, we will continue work with existing and potential new customers to adapt our functionality and fees to attract more of their business to the CHX. Recognizing the time-lag that exists in data transmission between Chicago and New Jersey based data centers, we hope to use our proximity to local proprietary trading firms to attract new customers to the CHX. We will remain aggressive in managing CHX expenses, but will remain open to exploring viable strategic opportunities that might emerge during the course of the year.

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This notice contains forward-looking information and statements, including, among others, statements regarding plans, objectives, intentions and expectations, and statements regarding future performance. Forward-looking information and statements are subject to various risks and uncertainties that could cause actual results and developments to differ materially from the results or events predicted. CHX Holdings, Inc. assumes no obligation to publicly update any forward-looking information or statements, whether as a result of new information, future events or otherwise.