



Caldwell Asset Management Inc.

Independent Investment Managers

CHICAGO BOARD OPTIONS EXCHANGE

Update April 19th, 2010

The Chicago Board Options Exchange (“CBOE”) intends to become a public company by the end of June 2010 (i.e. under 3 months). This is very good news for our investors.

To make the initial public offering (“IPO”) of its shares a reality, the CBOE has filed the necessary initial documents with the U.S. Securities and Exchange Commission (“SEC”).

The following comments are intended to help Caldwell’s investors better understand our firm’s impressions of how the CBOE IPO’s will work. All of it is subject to change. This is not intended as a solicitation to purchase CBOE shares. Please consult the documents on file with the SEC for a full account of the demutualization and IPO process.

The intended steps toward the CBOE’s IPO are as follows:

- 1) End of April: Proxy material is expected to be sent to the CBOE’s members.
- 2) Late May: CBOE member vote
- 3) June: Marketing of the IPO led by Goldman Sachs
- 4) End of June: The CBOE becomes a public company

Basic terms of the deal:

Each CBOE seat owner will receive \$100,000 in cash and 80,000 CBOE shares.

In total, the CBOE members will receive 80% of the new company. Approximately 2% and 18% will be reserved for the CBOE’s management and the former members of the Chicago Board of Trade (“CBOT”), respectively.

There will be a total of approximately 90 million CBOE shares issued.

The price of the IPO is unknown at present and will not likely be known until the entire deal is finalized at the end of June.

CBOE members can tender some or all of their shares in the IPO.

The minimum price for the IPO will be set prior to the general member vote, but CBOE members will NOT know the actual price prior to deciding whether or not to sell their specific shares into the IPO.

Based on this fact and the IPO experience of other Chicago exchanges, it is not expected that many CBOE members will tender their shares. Rather, it is anticipated that the large majority of the issue will be in the form of treasury shares.



The total size of the issue is unknown, but it is probable that it will be in the range of \$300 million.

CBOE members choosing not to sell their shares into the IPO will not be able to sell them right away in the market. There will be a 6 month hold on half of the shares and a 12 month hold on the other half;

HOWEVER,

The CBOE intends to use the money it receives from the issue of treasury shares to buy back some of these shares that are otherwise subject to a hold. The CBOE's plan is to make a tender offer in the context of the market between 1 and 4 months after the IPO.

It is our expectation that the CBOE will initiate a quarterly dividend in 2010.

The price of CBOE seats have risen from less than \$2 million during the depths of the recent financial crisis to \$2.8 million at present. The current seat price values the entire exchange at \$3.2 billion.

By comparing the CBOE to other publicly traded derivatives exchanges, we estimate the fair value of the CBOE to be between \$4 billion and \$6 billion. Whether the CBOE trades within, above or below this range will depend on many factors including investors' perception of the exchange sector and the CBOE's attractiveness as a takeover candidate.

We anticipate that IPO price for the CBOE will exceed the current price for seats; however, the full value of the exchange will not be realized until after its shares begin trading on the market.

The CBOE comprises the largest single holding in the following Caldwell vehicles:

Urbana Corporation: 38% of assets

Urbana trades on the Toronto Stock Exchange under the symbol URB.A.

The Caldwell Advantage LP: 69% of total assets

This fund is open to American institutions and accredited investors.

Caldwell International Advantage Ltd.: 97% of assets

This fund is open to international and non-taxable American investors.

Please feel free to contact our firm with any questions about our funds and the CBOE demutualization process.

Investment Management Committee

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