

CBOT Holdings, Inc. Shareholder Litigation

COURT: Delaware Court of Chancery
CASE NUMBER: C.A. No. 2803-VCN
CASE LEADERS: Salvatore J. Graziano, Mark Lebovitch

This is a shareholder class action against the directors of CBOT Holdings, Inc. ("CBOT" or "the Company") for violations of their fiduciary duties arising from their approval and continued endorsement of a proposed merger with Chicago Mercantile Exchange Holdings, Inc. ("CME"), and their refusal to consider fairly an alternative transaction proposed by Intercontinental Exchange, Inc. ("ICE").

On October 17, 2006, CBOT, the holding company for the Board of Trade of the City of Chicago, one of the largest futures and options exchanges in the world, announced a plan to merge with CME in a deal offering an electable option of cash and CME shares valued at \$8 billion. The merger agreement allegedly contained numerous "deal protection" devices intended to force CBOT's shareholders to approve the deal. On March 15, 2007, a competing bidder, ICE, a fast-growing electronic exchange and the owner of the NYMEX exchange, offered to exchange its shares for those of CBOT in a deal that represented over one-billion dollars in additional consideration for CBOT shareholders. CBOT responded to ICE's offer by insisting that shareholders vote to approve or reject the CME deal without delay on April 4, 2007. BLB&G promptly filed a class action in Delaware Chancery Court on behalf of the Louisiana Municipal Police Employees' Retirement System and other CBOT shareholders in order to force the CBOT directors to comply with their fiduciary duties and otherwise obtain the best value for shareholders. The action also seeks to hold CME accountable for aiding and abetting those breaches of fiduciary duty.

Lead Plaintiff sought expedited discovery and an expedited preliminary injunction schedule. Shortly thereafter, CBOT and CME postponed their scheduled shareholder votes on the deal. On May 11, 2007, CME increased its offer by about \$1 billion, and made the transaction an all-stock deal. On June 4, 2007, BLB&G filed an amended complaint that added claims for alleged disclosure inadequacies and explained the various alleged conflicts of interest among the Board and the shareholders, including specifically, the interests of floor traders. Shortly thereafter, CBOT issued an amended proxy statement which attempted to remedy some of the disclosure inadequacies identified in Lead Plaintiff's amended complaint. Lead Plaintiff was awarded expedited discovery by the Court and Lead Counsel conducted extensive document discovery and took the depositions of, among others, several CBOT Board Members.

In advance of the preliminary injunction hearing, on or about June 14, 2007, CME and LAMPERS reached a settlement of this action when CME again enhanced its offer by agreeing to pay a special cash dividend of \$9.14 per share to CBOT shareholders, which provides at least \$475 million in additional consideration on top of the additional \$1 billion included in the earlier CME increase to its offer. In connection with the settlement, CME also made appraisal rights available to CBOT shareholders, and CME and CBOT further remedied certain alleged disclosure inadequacies that Lead Plaintiff had identified and confirmed through discovery. The shareholder vote occurred on July 9, 2007, and the CME merger was approved. On September 25, 2007, the Court entered its Order and Final Judgment approving the settlement.

Case Documents

- August 10, 2007 - Notice of Pendency and Proposed Settlement

- June 4, 2007 - Amended Class Action Complaint