

CBOT HOLDINGS INC

Form 425

October 17, 2006

Filed by Chicago Mercantile Exchange Holdings Inc. pursuant

to Rule 425 under the Securities Act of 1933, as amended, and

deemed filed pursuant to Rule 14a-12 under the Securities

Exchange Act of 1934, as amended.

Subject Company: CBOT Holdings, Inc.

Subject Company's Commission File No.: 001-32650

Investor Presentation  
October 17, 2006

\*

\* Name effective upon transaction closing.

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Discussion of Forward-Looking Statements  
Statements  
in  
this  
news  
release  
that  
are  
not

historical  
facts  
are  
forward-looking  
statements.  
These  
statements  
are  
not  
guarantees  
of  
future  
performance  
and  
involve  
risks,  
uncertainties  
and  
assumptions  
that  
are  
difficult  
to  
predict.  
Therefore,  
actual  
outcomes  
and  
results  
may  
differ  
materially  
from  
what  
is  
expressed  
or  
implied  
in  
any  
forward-looking  
statements.  
Among  
the  
factors  
that  
might  
affect  
our  
performance

are:  
increasing  
competition  
by  
foreign  
and  
domestic  
competitors,  
including  
new  
entrants  
into  
our  
markets;  
our  
ability  
to  
keep  
pace  
with  
rapid  
technological  
developments,  
including  
our  
ability  
to  
complete  
the  
development  
and  
implementation  
of  
the  
enhanced  
functionality  
required  
by  
our  
customers;  
our  
ability  
to  
continue  
introducing  
competitive  
new  
products  
and  
services

on  
a  
timely,  
cost-effective  
basis,  
including  
through  
our  
electronic  
trading  
capabilities,  
and  
our  
ability  
to  
maintain  
the  
competitiveness  
of  
our  
existing  
products  
and  
services;  
our  
ability  
to  
adjust  
our  
fixed  
costs  
and  
expenses  
if  
our  
revenues  
decline;  
our  
ability  
to  
continue  
to  
realize  
the  
benefits  
of  
our  
transaction  
processing  
services

provided  
to  
third  
parties;  
our  
ability  
to  
maintain  
existing  
customers  
and  
attract  
new  
ones;  
our  
ability  
to  
expand  
and  
offer  
our  
products  
in  
foreign  
jurisdictions;  
changes  
in  
domestic  
and  
foreign  
regulations;  
changes  
in  
government  
policy,  
including  
policies  
relating  
to  
common  
or  
directed  
clearing;  
the  
costs  
associated  
with  
protecting  
our  
intellectual

property  
rights  
and  
our  
ability  
to  
operate  
our  
business  
without  
violating  
the  
intellectual  
property  
rights  
of  
others;  
our  
ability  
to  
generate  
revenue  
from  
our  
market  
data  
that  
may  
be  
reduced  
or  
eliminated  
by  
the  
growth  
of  
electronic  
trading;  
changes  
in  
our  
rate  
per  
contract  
due  
to  
shifts  
in  
the  
mix



of  
the  
products  
traded,  
the  
trading  
venue  
and  
the  
mix  
of  
customers  
(whether  
the  
customer  
receives  
member  
or  
non-member  
fees  
or  
participates  
in  
one  
of  
our  
various  
incentive  
programs)  
and  
the  
impact  
of  
our  
tiered  
pricing  
structure;  
the  
ability  
of  
our  
financial  
safeguards  
package  
to  
adequately  
protect  
us  
from  
the

credit  
risk  
of  
our  
clearing  
firms;  
changes  
in  
price  
levels  
and  
volatility  
in  
the  
derivatives  
markets  
and  
in  
underlying  
fixed  
income,  
equity,  
foreign  
exchange  
and  
commodities  
markets;  
economic,  
political  
and  
market  
conditions;  
our  
ability  
to  
accommodate  
increases  
in  
trading  
volume  
without  
failure  
or  
degradation  
of  
performance  
of  
our  
systems;  
our

ability  
to  
execute  
our  
growth  
strategy  
and  
maintain  
our  
growth  
effectively;  
our  
ability  
to  
manage  
the  
risks  
and  
control  
the  
costs  
associated  
with  
our  
acquisition,  
investment  
and  
alliance  
strategy;  
industry  
and  
customer  
consolidation;  
decreases  
in  
trading  
and  
clearing  
activity;  
the  
imposition  
of  
a  
transaction  
tax  
on  
futures  
and  
options  
on

futures  
transactions;  
and  
seasonality  
of  
the  
derivatives  
business.  
More  
detailed  
information  
about  
factors  
that  
may  
affect  
our  
performance  
may  
be  
found  
in  
our  
press  
release  
for  
the  
merger  
and  
our  
filings  
with  
the  
Securities  
and  
Exchange  
Commission,  
including  
our  
most  
recent  
Quarterly  
Report  
on  
Form  
10-Q,  
which  
is  
available  
in

the  
Investor  
Information  
section  
of  
the  
CME  
Web  
site.  
We  
undertake  
no  
obligation  
to  
publicly  
update  
any  
forward-looking  
statements,  
whether  
as  
a  
result  
of  
new  
information,  
future  
events  
or  
otherwise.

#### Additional Information

This material is not a substitute for the prospectus/proxy statement and any other documents CME and CBOT intend to file with the Securities and Exchange Commission (SEC). Investors and security holders are urged to read such prospectus/proxy statement and any other documents, when available, which will contain important information about the proposed transaction. The prospectus/proxy statement, and other documents filed or to be filed by CME and CBOT with the SEC are or will be, available free of charge at the SEC's website ([www.sec.gov](http://www.sec.gov)) or from CME by directing a request to CME, 20 South Wacker Drive, Chicago, IL 60606, Attention: Shareholder Services, or from CBOT by directing a request to 141 West Jackson Boulevard, Chicago, IL 60604, Attention: Investor Relations.

CME, CBOT and their respective directors, executive officers and other employees may be deemed to be participants in the solicitation of proxies from the security holders of CME or CBOT in connection with the proposed transaction. Information about CME's directors and executive officers is available in CME's proxy statement, dated March 10, 2006, for its 2006 annual meeting of stockholders, and information about CBOT's directors and executive officers is available in CBOT's proxy statement, dated March 29, 2006, for its 2006 annual meeting of shareholders. Additional information about the interests of potential participants will be included in the prospectus/proxy statement when it becomes available. This document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall it constitute any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended.

#### NOTE:

Unless  
otherwise

noted,  
all  
references  
to  
CME  
volume,  
open  
interest  
and  
rate  
per  
contract  
information  
in  
the  
text  
of  
this  
document  
exclude  
CME's  
non-traditional  
TRAKRS  
products,  
for  
which  
CME  
receives  
significantly  
lower  
clearing  
fees  
of  
less  
than  
one  
cent  
per  
contract  
on  
average,  
as  
well  
as  
CME  
Auction  
Markets  
products.  
SM

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Landmark Transaction

Combination will establish the world's largest derivatives exchange and provide significant value to CME's and CBOT's customers and shareholders

Solidifies combined company's status as the premier global exchange

Expands presence in attractive derivatives markets

Positions combined company for continued growth

Creates operational and cost efficiencies for customers

\$125+ million in estimated annual cost savings expected to be achieved year two post closing

Expected to be accretive to earnings  
12  
18 months post close

Potential revenue opportunities

Enhances operating leverage  
Strategically  
Attractive  
Financially  
Compelling



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Transaction Summary

Accretive to earnings 12 -  
18 months after the closing

Expected Accretion:

Terrence A. Duffy, Chairman; Charles P. Carey, Vice-Chairman;  
Craig S. Donohue, CEO; Bernard W. Dan, Special Advisor

Management:

CME and CBOT members

existing core trading rights will be  
preserved

Core Rights:

For each CBOT share, shareholders will receive 0.3006 CME shares, or they may elect Cash with value equal to 0.3006 CME shares based on the ten-day average CME closing price ending 2 days prior to close (subject to proration based on a maximum of \$3 billion of cash)

Consideration Mix:

Mid-2007 (subject to regulatory, shareholder and CBOT member approvals)

Anticipated Closing:

\$240 million

Reciprocal Break-Up Fee:

\$151.28 per share

(1)

Price Per Share:

29 Directors to include 20 Directors from CME and 9 Directors from CBOT

Board of Directors:

CME Shareholders: minimum of 69% (based on elections)

CBOT Shareholders: up to 31% (based on elections)

Pro Forma Ownership:

Aggregate Consideration:

\$8.0 billion

(1) Based on CME's closing price of \$503.25 on October 16, 2006

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CME and CBOT Shareholder Benefits  
Well-Positioned  
in Dynamic  
Global Industry  
Stronger Base  
to Build Core  
Derivatives  
Business  
Accretive  
Transaction

Platform for  
Product  
Innovation and  
Growth  
Substantial  
Benefits  
Transaction expected to create value for shareholders of  
both companies  
Synergy  
Opportunities  
Significant User  
Benefits

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Well-Positioned in Dynamic Global Industry  
Largest market capitalization among global exchange  
participants

NOTE: Market data as of 10/16/06, and market capitalization based on diluted share counts.

1.

Assumes all stock transaction.

2.

Adjusted to reflect cash component of transaction on a pro rata basis.

\$0

\$5

\$10

\$15

\$20

\$25

\$30

Pro Forma

Market Capitalization

CME/CBOT

NYX/NXT

DB

ICE/NYBOT

LSE

NDAQ

TSX

ISE

(1)

(2)

\$24.8

\$19.9

\$16.0

\$5.4

\$5.0

\$5.0

\$2.9

\$1.9

\$7.1

\$10.0

\$0.8

\$17.7

\$9.9

\$4.6

Market Capitalization

(\$ billions)

7  
Foreign  
Exchange  
10%  
Eurodollars  
29%  
Equities  
27%  
Commodity

& Other  
8%  
30-Year  
Bonds  
5%  
10-Year  
Notes  
12%  
5-Year  
Notes  
5%  
2-Year  
Notes  
2%  
Other  
Interest  
Rates  
2%  
Equities  
39%  
Eurodollars  
44%  
Commodities  
& Other  
2%  
Foreign  
Exchange  
15%  
Platform for Product Innovation and Growth  
Strong and broad platform with a diversified product mix  
NOTE:  
Data as of 1H06.  
Commodities  
& Other  
20%  
10-Year  
Notes  
37%  
30-Year  
Bonds  
13%  
Other  
Interest  
Rates  
6%  
2-Year  
Notes  
4%  
5-Year  
Notes



15%

Equities

5%

CME Standalone

Transaction Revenue Mix

CBOT Standalone

Transaction Revenue Mix

Pro Forma

Transaction Revenue Mix

8  
0  
300  
600  
900  
1,200  
1,500

Stronger Base to Build Core Derivatives Business

The combined company would be the leading global derivatives exchange based on trading volume, listing three of the four most actively traded futures contracts in the world

Source: FIA.

NOTE: Volume figures do not include options on futures.

2005 Futures Volume

(contracts in millions)

2005

Top Futures Exchanges

1,444

561

785

344

188

167

116

108

99

70

62

883

CME/CBOT

Eurex

Euronext

.liffe

Bolsa de

Mercadorias &

Futuros

Nymex

Mexican

Derivatives

Exchange

Dalian

Commodity

Exchange

London

Metal

Exchange

National

Stock

Exchange

of India

Tokyo

Commodity

Exchange

#1

CME Eurodollar Futures

#2

CBOT 10-year Treasury Note Futures

#4

CME E-mini S&P 500 Index Futures

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CME and CBOT customers will benefit from increased scale, liquidity, product diversification and functionality

Significant User Benefits

Creates operational and cost efficiencies for market users

Access to distinct products and services on an integrated platform

Broad pipeline of innovative new products and

functionality

Efficiencies through integrated systems and combined open-auction trading environment

Seamless continuation of current clearing services, which secures existing margin benefits for customers

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Historic CME/CBOT clearing agreement announced  
in April 2003 and fully operational in January 2004

Integration executed successfully and ahead of  
schedule  
Worked with two exchanges, all 80 clearing firms and  
BOTCC

Substantial savings for our clearing firms and their  
customers  
\$1.6 billion decrease in performance bonds for users

\$200 million decrease in security deposits for clearing firms  
Combined risk capital pool and generated other operational efficiencies  
Proven Experience Delivering Synergies

11  
Technology  
Related  
50%  
Trading Floor  
/ Operations  
15%  
Administrative  
35%  
Substantial Potential Cost Savings  
Expected cost savings of \$125+ million annually,  
beginning in year two post close  
Cost Savings Areas  
Total: \$125+ million



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Potential Revenue Opportunities

CBOT and CME combined will be well-positioned to generate incremental revenue

Global Expansion

OTC Initiatives

Leverage CME and CBOT's

global product suite, user  
base and relationships

JADE

Electronic trading of  
Ags

Build on distinct product  
suites to grow market share  
in OTC markets:

Swapstream

Clearing360

FXMarketSpace  
Cross-Selling

Cross-sell the distinct  
product suite to the  
customer base of both  
companies  
New Products

Create efficiencies of spread  
products and product  
extensions in

Interest rate derivatives

Agricultural commodities

Enhanced product innovation  
CME/CBOT

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Strong Financial Profile

1. Pro

forma

figures

adjusted

to

eliminate

clearing

fee

revenue

paid

from

CBOT

to

CME.

2. Operating Income and Net Income is unadjusted for incremental transaction-related expense, and amortization of identifiable intangible assets.

Expected to be accretive to earnings 12-18 months post

closing

\$778

\$903

(2)

LTM Pro Forma as of 6/30/2006

(\$ Millions)

CME

Standalone

CBOT

Standalone

Pro Forma

All Stock

Pro Forma

All Stock

Cost Savings

-

-

\$0

\$125

Revenue

(1)

\$1,026

\$532

\$1,490

\$1,490

Operating Income

\$584

\$194

% Margin

57%

37%

52%

61%

Net Income

(2)

\$355

\$116

\$471

\$546

% Margin

35%

22%

32%

37%

14  
CBOT Overview  
0  
700  
1,400  
2,100  
2,800  
3,500  
2001  
2002  
2003  
2004  
2005

2006

YTD

(through Sept.)

3,191

1,033

Average Daily Volume

(contracts in thousands)

Established in 1848, a leading  
futures and futures-options  
exchange

More than 50 different futures  
and options products traded by  
open auction and electronically

Strong market position and  
scalable business platform

Global reach and focused  
international education efforts  
driving organic growth of core  
products

Established strategic alliances  
JADE 50/50 joint venture  
Hosting agreements with regional  
North American grain exchanges  
2001-2006  
CAGR  
25%

15

CBOT Financial Profile

Proven track record -  
2000 through 2005 CAGR

ADV 24%

Revenue 17%

Expense 8%

0

700

1,400

2,100

2,800

3,500

0%

10%

20%

30%

40%

50%

2001

2002

2003

2004

2005

1H06

Operating Leverage

ADV in thousands

Operating margin

19%

5%

31%

20%

28%

44%



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Roadmap to Completion

File S-4 with SEC

CBOT and CME shareholder and CBOT member  
approvals

Regulatory approvals

The transaction is anticipated to  
close mid-2007

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Transaction Highlights

Solidifies combined company's status as the premier global exchange

Expands presence in attractive derivatives markets

Positions combined company for continued growth

Creates operational and cost efficiencies  
for customers

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savings expected to be achieved year two  
post closing

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12  
18 months post close

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Strategically  
Attractive  
Financially  
Compelling