

Securities and Exchange Commission 100 F Street, N.E. Washington, D.C. 20549-1090

Attn: Nancy M. Morris, Secretary

Re: File No. SR-CBOE-2006-106

Dear Ladies and Gentlemen,

I am writing the Securities and Exchange Commission since its mission is to protect investors, and facilitate capital formation and rule on a ridiculous request by Chicago Board of Option Exchange {CBOE} to ignore agreements signed & reaffirmed with the Chicago Board of Trade {CBOT}.

We in Chicago have conducted business, since the 19th century, where a person's word is their bond. This should continue to be the case. Some thirty years ago, CBOT & its creation CBOE, saw a possibility of monetary and/or opportunity gains in having this new exchange {CBOE}. To insure the retention of their perpetual VALUE the creator {CBOT} of this new exchange, established an Exercise Right thereby maintaining the same benefit of a CBOE member---the exchanges jointly wrote into the original charter. This right was "paid for" thirty years ago & continues to be "paid for" in every seat/membership sale at the exchanges.

This Exercise Right {ERP} has a value that was agreed upon in 1992 & subsequently supported by additional agreements in the last few years in 2001, & 2004. These agreements state that the exchanges **will not dilute** the trading right value of either exchange's seat. By announcing this intention to violate a decade old agreement CBOE have already harmed my trading right value. Current & future CBOE members no longer want to lease a CBOT with its ERP---this due to the CBOE announcing its intention to not recognize a CBOT ERP at an unspecified time after November of last year. The CBOE has already diluted the value of my ERP with their statements. This is against CBOE/CBOT signed agreements. This is the **first reason** that I ask you to rule against the CBOE petition to squelch the ERP.

The CBOE's claim that a merger with Chicago Mercantile Exchange Holdings violates the agreements because it is not Chicago Mercantile Exchange is ridiculous. The CBOE in its press releases & internal memos refers to Chicago Mercantile Exchange Holdings & Chicago Mercantile Exchange as the same entity. CME is owned by Chicago Mercantile Exchange Holdings. CBOE's rules find that 100% wholly owned subsidiaries are entitled to like treatment under CBOE rules. I mention this because CBOE's claim is that they have found a technical violation with the proposed CME/CBOT merger. CBOT members are to receive stock of the new entity as prescribed necessary on CBOE/CBOT agreements. CBOE refers to members of the CME as just that members---those members own CME Holdings stock just as CBOT members will after the merger. To insist that CME issue stock to CBOT members rather than CME Holdings seems onerous. After the CME/CBOT merger goes through, as prescribed in CBOE signed agreements, CBOT ERP owners must keep the surviving {CME Holdings} stock as well as the trading right

& ERP---this will occur. This is the **second reason** that I ask you to rule against the CBOE petition to squelch the ERP.

If a woman, Jane Jones, who is owed \$100 by the CBOE decides to marry & becomes Jane Smith does she lose all rights to money previously owed her by the CBOE? After all she is still a woman—she will be by any other name. In numerous **signed** agreements CBOE has stated ERP value stating that it is equal to that of a regular CBOE member.

To further show that the CBOE realizes there is value in the ERP—CBOE continues to purchase ERPs in the open market as recently as this month. The CBOE wisely saw the possibility to purchase up to 1000 ERPs but were foiled by a former member. Had CBOE, as planned, been able to spend \$100,000,000 it would be the equivalent future value of \$2billion---quite an investment. This was an honorable intention & kept to the various agreements between the CBOE & CBOT. This is the **third reason** that I ask you to rule against the CBOE petition to squelch the ERP.

Unfortunately there are people that see money and regardless of the moral & ethical ramifications try to find ways out of a decades old promise. Fortunately for me & others, in this country, we have an SEC to “encourage” people to live up to agreements. The leaders of both exchanges foresaw the potential value that might be created & protected exchange members appropriately. Two years ago the CBOT could have, at minor cost, caused the exercise of seats into the CBOE and taken control of the CBOE board of directors—this was not done because CBOE was dealing in good faith. Please forcefully remind the CBOE to their agreements or suggest the solution that will keep the ERP’s potentially value equal to that of a regular CBOE membership.

Please deny the CBOE proposed rule change.

Thank you all for considering my thoughts.

Paul R.T. Johnson, Jr.

CBOT member

CBOE Lessor

CBOE Exerciser