



Robert C. Sheehan
President, Chief Operating Officer

February 23, 2007

Nancy M. Morris
Secretary, Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Dear Ms. Morris,

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

Thank you for this opportunity to comment on the proposed rule change at the CBOE. It is with great sadness and almost complete disbelief that I find it necessary to write this response. I have been an active CBOT member/exerciser at the CBOE for over twenty-five years. During that period of time I have served on several committees. I have been active in the member firm committee. I have actively supported the development of the currency products. I served on the new products committees over many periods of my entire career. I was on the committee that produced the European style SPX product. I have sponsored one of the most successful and oldest brokerage groups on the SPX. Most recently I served on the committee that rewrote the underlying contract of the VIX index. This contract has been awarded recognition as the most innovative new product by many industry experts. I designed and support an electronic trading platform that has brought millions of contracts to the exchange. Our brokerage group supports hundreds of off floor traders looking for representation on the exchange.

Over the last twenty-five years there has been a continuous understanding that the members were entitled to participate in exchange even if the entity were to be restructured. For the last ten years the exchange has collected fees from all members to develop new technology. Any dues assessed to membership were applied evenly whether or not the member was an exerciser or not. If traders were accessed to support efforts to bring order flow to the exchange, these fees were shared evenly. All along the member exercisers were told that they need to share the sacrifice of all the members to create a better exchange. It was always understood that the reason for these sacrifices was so that the members would be allowed to participate in a better, more competitive exchange.

What has changed? Why have the member exercisers lost their rights? We are told that if a future change in the CBOT's corporate structure were to take place, the rights established at the time of the founding of the CBOE will no longer exist. When did it happen that an entity that issues an option to their founding members can determine that the option is null because the owner has a reorganization of his corporate structure? If this precedent were to be allowed, could any obligation of the CBOE be taken seriously? Could the non-exerciser CBOE members not find their ownership threatened? The logic of this interpretation would require one to believe that any obligation of a corporation can be voided if the counter party restructures.

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There is one thing that is paramount in an exchange trading environment. That one thing is that the exchanges and the membership commitments are good. Not some of the time, but every time the exchange or the members commit to a transaction. Every Board of Trade member and every Chicago Board Options Exchange member knew that the Board of Trade created the options exchange. They knew that the capital and time that went into creating the options exchange did in fact come at a cost to the Board of Trade. No one expected that the exercise right would be null if there was a technical change in the corporate structure of the Board of Trade. I hope I have been clear in expressing my point. I do appreciate the chance to be heard.

Sincerely,

Robert C. Sheehan

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