

**The** ChicagoBoard  
**Options**  
**Exchange**

Walter E. Auch  
Chairman and  
Chief Executive Officer

LaSalle at Jackson  
Chicago, Illinois 60604 (312) 431-5701

November 16, 1981

Mr. Leslie Rosenthal  
Mr. Robert Wilmouth  
Chicago Board of Trade  
141 West Jackson Boulevard  
Chicago, IL 60604

Dear Les and Bob:

I have no comment whatsoever on the proposed linkage between CBT and NYFE, and I personally feel it is none of my business.

However, some things have been reported in the press and in your membership meeting of last Thursday which do concern me.

In reverse order, it has been reported to me that the subject of our building decision was raised in a vein that was most critical of the CBOE. I thought I had dealt with this subject in my letter to Bob dated May 26, 1981 -- and in a telephone discussion a day or two later in which Bob agreed with my letter. If there is some deepseated ill feeling here, it must predate my arrival on the scene in the Fall of 1979, because I honestly believe that I was as open and candid with Bob as possible.

Secondly, I understand that there is some feeling that the CBOE was critical of the commodities industry position on the tax legislation. This is absolutely not true. I visited the Treasury and the Ways and Means Offices with tax lawyers for the CBOE and the Amex. At that time I made it clear to all concerned that our only interest was in talking about the proposed act as it applied to the options business--and no comment was made about the commodities business by anybody, and I can prove that if necessary.

Thirdly, Bob called me Friday asking whether or not CBOE had made application to register as a commodities exchange. I explained that no such action had been taken, but that it had been discussed "as insurance if the Court decision were to go against us, because both NYSE and Amex have commodities subsidiaries". I explained to Bob that my personal position was in opposition to this idea because any such action would not be consistent with the position I have taken in our 1981 Annual Report and with our Member Firms. It is also contrary to the position Larry Blum took at our annual membership meeting that "CBOE is a securities exchange".

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Whether or not my position and Larry's will prevail will be determined to a great extent by upcoming events, but I want you two gentlemen to know exactly where we are on this subject.

As a matter of fact, I agree with the statement attributed to Les in the press that "we're going to have to have more cooperation in this industry. All of this turf-fighting and infighting is destructive."

However, I also read in the press that Les is supposed to have said that "we (the CBT) would have to form a securities exchange." Frankly, that doesn't make it very easy for me to prevail in my position expressed above.

Finally, Les is reported in the press to have said that "the CBOE seems to be our enemy". Again, if that is viewed to be the case, it is a completely inaccurate reflection of my position. It is easy to see why that view has grown, however, what with the suits and the jurisdictional confrontation which has developed. I feel that we have every right to fight for products which we feel properly fall within the securities field, as you most certainly have with commodities products. Not only a right, but indeed a responsibility to our respective memberships.

I do not feel, however, that it follows that these two exchanges are enemies.

I want to go on record as to my willingness to have the leadership of these two exchanges sit down to explore anything that can be done to bridge whatever gap may have developed in the relationship, and discuss any way that we can work toward the best interest of the memberships of both exchanges. It is clear that those who would fan the flames of dissension are not being helpful to either exchange or to the Chicago financial community--or for that matter our members in New York and elsewhere.

I do hope that you gentlemen take this letter in the positive and constructive vein that it is written.

Most sincerely,

Walter E. Auch

WEA/cda