

MSE

MIDWEST STOCK EXCHANGE, INCORPORATED
120 South LaSalle Street Chicago, Illinois 60603
Telephone: (312) 368-2222

May 24, 1978

Mr. Harvey Pitt
General Counsel
Securities & Exchange Commission
500 North Capitol Street N. W.
Washington, D. C. 20549

Dear Mr. Pitt:

I have enclosed, for your information, a copy of a complaint filed by four Options Market Makers against the Exchange and Mike Tobin.

The plaintiffs contend that the Exchange and Mike Tobin did know or should have known that the Commission would not permit an individual market maker to function in that capacity in both equities and options and that alleged inducements to purchase memberships on the basis of using them for dual market maker purposes were made in bad faith. Our proposal to permit dual market makers (on different floors) was originally filed on or about April 24, 1977, as part of a proposal to establish a competing market maker system in equities (MSE-SR-77-10). We were asked by the staff of the Commission to amend the filing so as to delete from it the ability for an individual market maker to function as such on both floors and to resubmit that proposal separately. Accordingly, we resubmitted this proposal on MSE-SR-77-28 on June 27, 1977. Consideration of this proposal has continued to be deferred by the Commission since July 18, 1977, as part of its moratorium on expansion.

We have not yet responded to this complaint nor determined the extent to which we may ask for Commission participation. Nevertheless, I wanted to give you as much advance notice as possible of the filing of the complaint. In this connection, I am also enclosing a copy of a memorandum to our Executive Committee regarding the complaint.

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Please feel free to call me or Dennis Bell should you have any questions.

Sincerely,

Kenneth I. Rosenblum
Senior Vice President and
Counsel

Attach.

/dl

cc: Cover letter only to:
Harold M. Williams, Chr.
Philip M. Loomis
John R. Evans
Irving M. Pollack
Robert M. Karmel
Andrew M. Klein
Sheldon Rappaport

bcc: Al Harris
R. Walbert
J. Weithers