

Date: August 21, 2006
To: Membership
From: Equity Market Performance (EMPC) and Index Market Performance Committees (IMPC)
Re: Expansion of Remote Market Maker ("RMM") and Market Maker ("MM") Programs

The Market Performance Committees continuously review the competitive forces that affect our industry. In response to those competitive forces, the Committees have determined to expand the number of classes available to MMs and RMMs for trading under Hybrid 2.0.

Effective Friday, September 1, 2006, all hybrid classes will become Hybrid 2.0 classes therefore RMMs and MMs alike will be able to access all F Tier classes, at a cost of 0.01 per class, regardless of their physical post and station location on the trading floor. Quarterly rebalancing will now occur for both the MMs and RMMs and will include all Hybrid 2.0 classes.

To view the current seat calculator on line, please go to:
<https://www.cboe.org/members/generalinfo/rmmmain.aspx>

Appointments for MMs in non-hybrid classes will continue to be calculated as they are today based on the seat costs below:

CLASS	SEAT COST	3 Mo. ADV
SPX-LSX	1.00	346,000
IWM	0.85	167,530
OEX-XEO-OEF	1.00	77,000
NDX	1.00	55,000
RUT	0.45	17,700
MVR	0.25	8,300
DXL	0.01	145

Based on the above weightings, if a MM chooses to trade in the OEX crowd, he/she will be assessed a cost of 1.0 seats and will receive appointment access to the OEX, XEO and OEF option classes. Similarly, MMs who select IWM as part of their appointment will be assessed a cost of 0.85 and will receive appointment access to IWM only. Note the following exception: In those instances where a MM elects to trade in a non-hybrid class that is in a crowd among other hybrid classes, that MM may trade in open outcry in all classes in that crowd and/or stream quotes into the other hybrid classes in the same crowd or elsewhere on the trading floor, so long as the combined cost of the non-hybrid classes and the classes the MM streams into do not exceed the value of the MM's seat(s). Using IWM as an example, a MM could select IWM as part of his/her appointment and select additional hybrid classes from either the IWM crowd with a combined value of 0.15 seats as his/her appointment, or a MM could select other Tier A, B, C, D, E, or F classes from across the trading floor with a combined value of 0.15 seats as part of his/her appointment. Please note that the weightings for the above non-hybrid classes will not be rebalanced quarterly, but instead will be reassessed as necessary by the appropriate Exchange Committee.

If you have any questions regarding the changes to these programs or the revised weightings, please contact Daniel Hustad, Vice President of Market Quality Assurance, at (312) 786-7715, any member of the Market Quality Assurance Department at (312) 786-7198 or any member of the Equity or Index Market Performance Committee listed below.

EMPC

John Smollen, Chairman
Kenneth Mueller, Vice Chairman

IMPC

Jonathon Flatow, Chairman
Joseph Sacchetti, Vice Chairman