INTERNATIONAL SECURITIES EXCHANGE ℠

Memorandum

To:	**ISE Members**
From:	**Office of the CFO**
Date:	**July 1, 2005**
Re:	**Transaction Fee as of July 1, 2005**

Per the Average Daily Volume formula presented in the current ISE Fee Schedule, non-public customer transaction fees will be $0.06 per contract less than standard rates.

Fee	Standard Rate	Current Rate	Rate as of 07/01/2005
Market Maker & Proprietary Execution Fee	**$0.21**	**$0.15**	**$0.15**

The above rates do not include a $.03 per contract comparison fee that is assessed on all transactions (unless otherwise waived) and licensing surcharge that is assessed on all transactions (unless otherwise waived) in the licensed products that are reflected in the ISE fee schedule.

Fee Change

Effective July 1, 2005, ISE is modifying the cancellation fee charged to Electronic Access Members. The new cancellation fee is applied to cancelled contracts, not orders, at a rate of $0.10 per contract. The fee will apply only if a member's cancellations exceed its execution by a five-to-one ratio and the member cancels 5,000 contracts or more.

*New Products**

Effective June 6, 2005, ISE is charging customers, market makers, and firms the standard equity option execution and comparison fees for transactions in the ISE Semiconductors.

Effective June 7, 2005, ISE is charging customers, market makers, and firms the standard equity option execution and comparison fees for transactions in the ISE-CCM Homeland Security and ISE Oil and Gas Services. ISE will charge non-customers a $0.05 per contract licensing fee for ISE-CCM Homeland Security transactions.

Effective June 8, 2005, ISE is charging customers, market makers, and firms the standard equity option execution and comparison fees for transactions in the ISE Gold and Homebuilders.

* Payment for Order Flow (PFOF) fee is not applicable to these Sector indexes.

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ISE's fee schedule is available at: http://www.iseoptions.com/legal/pdf/fee/fee_schedule.pdf

Please call Meinie Cheok at (212) 897-0246 or Amit Muni at (212) 897-0211 if you have any questions.