
Memorandum

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

Per the average daily volume formula presented in the current ISE Fee Schedule, the transaction fee for ISE market makers will be \$0.07 per contract less than standard rate.

Fee	Standard Rate	Current Rate	Rate as of 12/01/2005
Market Maker Execution Fee	\$0.21	\$0.14	\$0.14

New Fee Structure

Flat Execution Fee for EAMs. Currently, the amount of the execution fee charged to EAMs is calculated by using above-referenced average daily volume formula. However, the Exchange has determined to change this structure by replacing the variable formula with a flat fee. Accordingly, effective December 1, 2005 and continuing until further notice, EAMs shall pay a flat execution fee equal to \$0.15 per contract for (i) firm proprietary, broker-dealer, and FARMM orders, and (2) public customer orders in "Premium Products." The term "Premium Products" is defined in the ISE Fee Schedule, however it includes all index-based products (such as index options and ETF options), but excludes options on the Nasdaq 100 Tracking StockSM, the QQQQ. The flat execution fee of \$0.05 charged to EAMs for non-Premium Products is waived through June 30, 2006.

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

Fee Waivers/Discounts

We are extending, until November 30, 2006, the current pilot fee reduction and cap for transactions executed (i) by non-public customers in the Nasdaq 100 Tracking Stock, the QQQQ, and (ii) through the Facilitation Mechanism. Under these programs, once members have an average daily trading volume ("ADV") of 8,000 contracts executed in QQQQ or through



the Facilitation Mechanism, respectively, the member's fees for the next 2,000 contracts executed in QQQQs or through the Facilitation Mechanism, respectively, are reduced by \$0.10 per contract. Members whose monthly ADV exceeds 10,000 contracts will incur no transaction or comparison fees for contracts executed in QQQQs or through the Facilitation Mechanism, respectively, over 10,000 contracts.

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

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