
Memorandum

To:	ISE Members
From:	Office of the CFO
Date:	February 1, 2006
Re:	Fee Notice

Transaction Fee

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 02/01/2006
Market Maker Execution Fee	\$0.21	\$0.15	\$0.14

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 Change

The amount of the CMM Inactivity Fee has been reduced from \$25,000 to \$5,000 per month per inactive CMM membership. Additionally, the Exchange has adopted a cap of \$25,000 per month on a per member basis, whereby a member that has more than five inactive CMM memberships during a month shall have its CMM Inactivity Fees capped at \$25,000 per month.

New Products

In January, ISE added the following 14 new products to its list of "Premium Products:"

- iShares Dow Jones U.S. Real Estate Index Fund (IYR) ¹,
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- iShares MSCI Japan Index Fund (EWJ),²
- Biotech HOLDERS (BBH),
- Internet HOLDERS (HHH),
- Pharmaceutical HOLDERS (PPH),
- Regional Bank HOLDERS (RKH),
- Retail HOLDERS (RTH),
- Software HOLDERS (SWH),
- Enterra Energy Trust (EENC),
- Fording Canadian Coal Trust (FDG),
- Enerplus Resources Fund (ERF),
- ISE-B&S Water Index (HHO),
- ISE-CCM Nanotechnology Index (TNY),
- ISE-CCM Alternative Energy Index (POW).

The amount of the transaction fees for all market participants for options on these 14 new Premium Products are the same as those transaction fees that currently apply for all other Premium Products.

In addition, as HHO, TNY, and POW are jointly-developed ISE proprietary indexes, ISE will charge a surcharge fee of \$0.05 per contract on all market maker and firm proprietary transactions in those products. Lastly, there will be no Payment for Order Flow fee applicable to transactions in those products.

¹ iShares® is a registered trademark of Barclays Global Investors, N.A. (“BGI”), a wholly owned subsidiary of Barclays Bank PLC. “Dow Jones” and “Dow Jones U.S. Real Estate Index Fund” are servicemarks of Dow Jones & Company, Inc. (“Dow Jones”) and have been licensed for use for certain purposes by BGI. All other trademarks and servicemarks are the property of their respective owners. The Dow Jones U.S. Real Estate Index Fund (“IYR”) is not sponsored, endorsed, issued, sold or promoted by Dow Jones. No company has licensed or authorized ISE to (i) engage in the creation, listing, provision of a market for trading, marketing, and promotion of options on IYR or (ii) to use and refer to any trademark of BGI or Dow Jones in connection with the listing, provision of a market for trading, marketing, and promotion of options on IYR or with making disclosures concerning options on IYR under any applicable federal or state laws, rules or regulations, and do not sponsor, endorse, or promote such activity by ISE. ISE is not affiliated in any manner with any of the companies above.

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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.