



INTERNATIONAL SECURITIES EXCHANGE

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FOR IMMEDIATE RELEASE

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**INTERNATIONAL SECURITIES EXCHANGE
ANNOUNCES DEMUTUALIZATION**

NEW YORK, May 1, 2002 – The ISE announced today that it has demutualized, following the Securities and Exchange Commission (SEC) approval of the Exchange’s rules that implement the restructuring plan.

ISE converted from a New York limited liability corporation, in which equity interests as well as trading rights are represented by single ownership interests, to a Delaware corporation, in which equity interests and trading rights are now represented by different securities.

ISE’s new structure permits the infusion of additional capital, providing a broader base and enhanced capability for growth of its core business, as well as expansion into additional business lines. The Exchange remains the first and only fully electronic options exchange in the U.S.

“The new structure that we have developed will enable the ISE to more efficiently meet the growing challenges facing the financial services industry,” said David Krell, ISE’s president and CEO. “The application of our business model and technological infrastructure to new ventures will also be facilitated under our new format.”

ISE Market Structure/Membership Information

There are three types of ISE members:

Primary Market Maker (“PMM”) - PMMs, similar to specialists (DPMs or LMMs on other exchanges), are market makers with significant responsibilities, including overseeing the opening, providing continuous quotations in all of their

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assigned options classes, and ensuring that customer orders are not automatically executed at prices inferior to those available at other options exchanges. One PMM is assigned to each of the ten groups of options traded on the Exchange.

Competitive Market Maker (“CMM”) - CMMs are market makers that add depth and liquidity to the market and are required to provide continuous quotations in at least 60% of the options classes in their assigned group. Each CMM quotes independently. Ten CMMs are appointed to each of the ten groups of stock options traded on the Exchange.

Electronic Access Member (“EAM”) – EAMs are broker/dealers that represent agency and proprietary orders on the Exchange. An EAM does not purchase a membership. Rather, once approved as an ISE member, an EAM pays an access fee that permits the firm to place orders in all of the options traded on the Exchange.

ISE Background

ISE is the first nationally registered securities exchange since 1973, the first and only fully electronic options exchange in the United States, and the world’s first options marketplace combining electronic trading and auction market principles. Trading in this innovative market began on May 26, 2000.

ISE has grown to become the third largest of five U.S. options exchanges within just eighteen months of its launch. This measurement is based on total volume transacted in all listed options, equity as well as index products, traded on the five registered U.S. options exchanges.

ISE intends to list the top equity options classes representing 90% of the option industry’s average daily trading volume. Currently, 497 issues are listed for trading, representing approximately 89% of the industry’s volume. The updated list of issues is available on ISE’s web site (www.iseoptions.com) within the section entitled “Product Information.”

ISE headquarters is located at 60 Broad Street, New York, NY 10004 and can be reached at (212) 943-2400 or, for additional information, visit its web site at www.iseoptions.com.

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