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**INTERNATIONAL SECURITIES EXCHANGE
CELEBRATES SECOND ANNIVERSARY**

Growth Accelerates and More Records Set

NEW YORK, May 28, 2002 – The International Securities Exchange (ISE) successfully completed its second year of operation, having launched the only fully electronic U.S. options exchange on May 26, 2000. Its strong growth has accelerated, with twenty-five million contracts trading on ISE in its first year and one hundred-and-one million contracts trading during its second year.

To commemorate ISE's second anniversary, the Mayor of the City of New York declared today "International Securities Exchange Day," citing ISE's many achievements and contributions in maintaining New York City's stature as the financial capital of the world. Ringing the opening bell and representing the Mayor's office at the ISE this morning was Andrew M. Alper, President of the NYC Economic Development Corporation.

ISE has continued to exert significant influence on the evolution of the options industry, and its many significant accomplishments have been the subject of much industry and media attention. Through its unique market structure and trading system, ISE has set the standard for electronic trading within the U.S. equity options market. It is now being emulated in various forms by other markets seeking to capture the efficiencies introduced by ISE.

ISE's second year of trading saw many noteworthy developments and milestones:

- One year ago, ISE was the smallest of the five U.S. options exchanges as measured by trading volume; by the fourth quarter of 2001, ISE had catapulted to become the third largest exchange and has since continued to solidify that position.
- Volume during ISE's second year was more than four times what it was during its first year (average daily volume of 408,899 contracts versus 99,192 contracts). During this same period, the industry contracted by 2.9%, going from 3,094,416 contracts to 3,005,196 contracts daily.

ISE Celebrates Second Anniversary – 2

- The market share that ISE has captured is equally impressive: 20.8% during May 2002 compared to 7.8% in May 2001 (for all equity options), and, for ISE listed issues, 23% for May 2002 vs. 11% for May 2001.
- Numerous one-day volume records were established, with the latest being on March 4, 2002 when 824,045 contracts traded.
- One year ago, 53 of 100 Competitive Market Makers (CMMs) were operational. There are now 65 CMMs providing liquidity in addition to the 10 Primary Market Makers (PMMs).
- 99 broker-dealers are currently registered as Electronic Access Members (EAMs), compared to 85 EAMs a year ago; several additional firms are in the process of seeking EAM status.
- During the past year, six CMM memberships were approved for sale, one at \$1.1 million and the remainder at \$1.6 million. These are further affirmations of the industry's strong support for ISE's market structure and methodology.
- ISE currently lists 515 issues, up from 320 issues one year ago, and is the primary market in 166 of these names as measured by volume transacted during May 2002.
- On May 1, 2002 ISE demutualized, converting 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 represented by different securities.

David Krell, president and chief executive officer of ISE, said, "The benefits that we have brought to options investors through the efficiencies of our structure and systems have become more widely recognized during ISE's second year of trading. Our membership, board, staff and strategic partners are gratified and quite proud of the positive impact that we have had on the industry and look forward to making further contributions in the months and years ahead."

ISE Background

ISE is the only fully electronic options exchange in the United States, the first nationally registered securities exchange since 1973, 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, widely recognized as the pioneer and standard-setter in electronic trading of U.S. equity options, 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 has recently demutualized, converting 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. This 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.

Currently, 515 issues are listed for trading on the ISE. The current volume of these 515 issues across all five U.S. options exchanges represents 90.5% of all equity options 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.

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 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.