

Preliminary Exchange Notice 2000-3

To: Prospective ISE Members

Date: March 10, 2000

Re: Initial Membership Meeting and Board Election

As the ISE prepares for its launch of trading in May, we are planning for our initial meeting of members and the election of our Board of Directors. Pursuant to our current, tentative, schedule, we plan to have our first membership meeting on May 10, 2000, followed the next day by the initial meeting of our Board of Directors. Details on these meetings will be forthcoming.

This Preliminary Exchange Notice explains the timing of the membership application process and the initial membership and Board meetings. Please note that this process is separate from the process of connecting members to the ISE from a technical standpoint. Even those prospective members that do not anticipate being connected to the ISE for trading for the start of the ISE operations should consider completing the application process in a timely manner to participate in the initial membership meeting and board election.

Also note that the deadlines described below are dates by which certain action *must* take place to meet the ISE's Constitutionally-imposed timeframes. We urge all applicants to submit their materials as well in advance of these timeframes as possible in order to ease potential processing bottlenecks prior to the initial membership meeting. We also emphasize that we will continue to accept and process membership applications after these dates. However, if a membership application is not complete within the specified timeframe, there is no assurance that the applicant can be approved as a member in time to participate in the initial membership meeting.

The tentative schedule for processing membership applications and holding the initial membership and Board meetings is as follows:

- Applicants must send *complete* membership application material to the ISE by Wednesday, March 29th. However, we strongly suggest that applicants submit all materials by March 23rd to allow sufficient time to review and supplement the application, as needed.
- Upon receipt, the ISE will forward complete application material to NASD Regulation, Inc. ("NASDR"), which will be assisting the ISE in the review process. We anticipate a review time of approximately 30 days for combined

ISE and NASDR processing. The ISE anticipates acting on the applications in the latter part of April.

- By Monday, May 1st, the ISE will provide approved members with notice of the initial membership meeting, tentatively scheduled for May 10th. Ten days is the minimum notice permitted under the ISE's Constitution.
- Approved members will have until Friday, May 5th to nominate potential Board members.
- The ISE will hold its membership meeting on Wednesday, May 10th to elect the initial Board.
- The ISE will hold its first formal Board meeting on Thursday, May 11th.

The ISE Board of Directors ultimately will consist of 15 members: six representing members (with two directors representing each class of members (Primary Market Makers, Competitive Market Makers and Electronic Access Members)); eight non-industry directors; and the ISE's chief executive officer. It is possible that all directors will not be elected at the membership meeting. If that is the case, the remaining directors will be elected at a later date, following the commencement of trading and the admittance of additional members to the exchange.

Please call Richard Pombonyo, (212) 897-0250 (e-mail rpombonyo@iseoptions.com), with any questions regarding this notice; contact Katherine Simmons, (212) 897-0233 (e-mail ksimmons@iseoptions.com), with any questions regarding the membership application process.