



ARTHUR W. PAGE SOCIETY

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ARTHUR W. PAGE SOCIETY PANEL DISCUSSION LEARNING FROM THE TRAGEDIES

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Moderator

Ladies and gentlemen, thank you for standing by. Welcome to the Arthur W. Page Society Panel Discussion conference call. At this time all lines are in a listen-only mode. Later there will be an opportunity for questions. Instructions will be given at that time. As a reminder, this conference is being recorded.

I would now like to turn the conference over to our first speaker, President of the Arthur W. Page Society, Mr. James Murphy. Please go ahead.

J. Murphy

Welcome to all of you, good afternoon or good morning. I'm certainly pleased all of you could join us. This has been clearly a challenging and tragic period for all of us. When we look back at our decision to cancel our conference last week, clearly that was the right decision to make.

I want to extend my thanks on behalf of the Board of Trustees to all the members of the Conference Committee for their hard work, and Matt Gonring, the Chairman, for leading that committee. The conference was coming together very well. We will be sending some of the conference materials to you as a

follow-up later this week or perhaps early next week, to share some of what we would have received if we had the meeting.

I also want to thank our panelists today, who will be introduced in just a minute, and to Jim O'Rourke, who has put the panel together. I'd like now to turn this over to Matt for his remarks before we begin.

M. Gonring

Thanks, Jim. Thanks, everyone, for joining us. I know you are all disappointed, as I'm disappointed, that we weren't able to hold our annual meeting. Many of us would be in San Diego right now if not for the tragic circumstances of the last several weeks.

In any event, as the Board convened we talked about many different options. As Jim said, we certainly made the right decision by canceling, but we are looking at a number of options. We had what I felt, and I think many others agree, was a real grand slam agenda. So we've been meeting, talking with the speakers, and looking at options and alternatives on how can we recreate the experience of the annual meeting. We'll be getting back to you as to exactly what that will involve.

From our discussion with the Board, what clearly emerged is there is also a near-term interest to try to learn from the tragedies of the last couple of weeks. Recognizing that we want to be sensitive, Jim O'Rourke and I have conferred on the idea of having several panelists discuss some of their experiences. Unfortunately, this has come to realization and this is very consistent with our primary goal to provide development opportunities from members of this society.

With that, one thing I think we all need to recognize is that each of our speakers have been kind enough to share of their time and their confidence, so this is intended to be really off the record and put into context of one of those things that just helps us understand some of the challenges that our associates have faced, perhaps some of the lessons that they've learned, and be able to apply them in our day-to-day schedules as well. With that, I'll turn it over to Jim O'Rourke.

J. O'Rourke

Thanks very much, Matt, and thanks to Jim Murphy. I appreciate your assistance in helping to organize this teleconference. As a schoolteacher my aim is always to see if, no matter what the circumstance, there are some learning outcomes, so we put together a small panel. I suppose I should say we might have liked for it to be a little larger, but there are some people who are simply too busy. Among those were the representatives of our airline members. John Kiker wanted very much to be a part of this, as did Tim Doke, but they're just buried in detail right now. They're advising their CEO's. I know that John Kiker is dealing with, as is Tim, an FBI investigation. His CEO is testifying in Washington, trying to convince the Congress and the President to provide

financial assistance and loan guarantees. On a kind of ground level day-to-day basis, they have memorial ceremonies to attend and funerals to attend. On their behalf, I want to say thanks to them, but we understand perfectly why they couldn't be with us.

There are several folks who have agreed generously to give of their time. In order they are Ray O'Rourke, who is Managing Director of Global Corporate Affairs at Morgan Stanley; Paul Capelli, who is Vice-President for Public Relations at CNBC; and Bob Zito, who is Executive Vice-President for Communications at the New York Stock Exchange.

I've asked each of our guests to speak briefly, to begin by telling us where they were on Tuesday the 11th of September, and to sort of say how the day played out for them, and then moving forward, to help identify some issues for us. What are the critical issues for your firm? How do you rank order those? What's most important right now and what's likely to become more important as the days move on?

Secondly, who are the stakeholders for you and what's at stake for them? Which audiences seem most important?

Then finally, perhaps talking at a less strategic level and more tactical level, what actions have you taken? What actions do you plan to take? How do you communicate the strategy that your firm has adopted? Was a crisis recovery plan helpful, and so on?

I want to begin with Ray O'Rourke and then move to Paul Capelli. Bob Zito is still in senior management meetings at the Exchange but will join us about 12:30

Eastern Time, so Bob will just jump in when he is available.

Ray, thank you very much for joining us. Let me turn it over to you now. You have the floor.

R. O'Rourke

Jim, it's a pleasure. Thank you very much. I didn't realize when I committed to doing this that we would be subjecting the audience to back-to-back O'Rourke's, but if they can stand it, here we go.

Let me say thank you, one, to the Page Society for creating this opportunity, and also thanks to what I believe are many members of the audience who have written or called over the last two weeks. Many of you are friends and former clients who expressed concern and offered help. That is not unlike literally thousands of similar messages we as a firm have gotten from individuals and organizations around the world. It's really been quite gratifying. So thank you all for that.

Let me start with some of the basics. I'm going to assume that all of you have read a good deal about Morgan Stanley and what we were subjected to in the last two weeks. For those of you who read only about Morgan Stanley in the first week, I should take some time and establish a few facts, I think.

First of all, I should say we are a very fortunate firm. I might go so far to say we are blessed. The World Trade Center was the headquarters for our individual investor and our investment management businesses, that is our retail broker business and our mutual fund business. We had nearly 3,700 people working in Number Two and Number Five World Trade Center. We

occupied about 22 floors of the south tower, that was the second building that was struck, and our floors range from the 44th to the 74th floors.

As of early last week we were pretty confident that all but six, of our employees have been safely accounted for, which is nothing short of miraculous. That's a word we've been using around here quite a bit lately. I think a number of factors that counted for that result. In part, a lot of the employees, who were at both Number Two and Number Five World Trade Center, had been there in February of '93 and lived through the first terror bombing down there. Somebody here described it as a collective reflex that when the first plan struck the north, or Number One tower, our people were heading for the stairs and on the way out.

Now that process, I think, was facilitated a good deal by the discipline I think we imposed on ourselves after 1993. We drilled down there frequently our own fire drills, in addition to participating actively in the Port Authority's fire drills. We appointed a series of wardens and searchers on each of our floors down there who were responsible for seeing that everybody got out in a timely fashion. This is something that was put in place in 1993.

Lastly, I think we were the beneficiaries of some genuine heroism, not only on the part of the police and fireman who helped us enormously, but also on the part of our own security people and some of our individual employees. Many of you have probably seen the story of Rick Rescorla, who was the head of security for Number Two World Trade Center for us. He was probably the last person out in 1993, was the last one of our people out in 1993, and was last seen on

the 10th floor of Number Two World Trade Center making sure all of our people got out this time. Rick and three other of our security people are among those missing.

We'd also had stories of genuine personal heroism by employees. One fellow who carried a fellow employee, a woman who was disabled, down 50 flights of stairs on his back. Another group of four employees, who, in sort of a tag team fashion, helped another disabled employee down some 65 flights of stairs.

As stories continue to come in and people begin to remember what they went through, we continue to hear more and more stories like that. It is genuinely inspirational, not just for us, but also for them in the retelling. I'll talk about how we've shared a lot of that with our employees around the world.

Jim wanted to know how I learned of the disaster. We do a weekly global Corporate Affairs conference call, so all of the Corporate Affairs teams from around the world are on the phone each Tuesday morning at 8:30. We were some ways into the call when my secretary brought me word that a Bloomberg reporter absolutely had to speak with me right away. She was the one who told me the story of a plane hitting the north tower. I relayed that, just that, and that was all we had at the time, to our team and broke off the call.

I work from our headquarters building here at 1585 Broadway. For those of you who know New York, that is right in the middle of Times Square at 48 Street. I'm up on the 39th floor. We have a clear line of site to downtown. We were able to see not only on CNBC and CNN what was happening, but we could witness ourselves the smoke and fire emanating from Number One, and then

we were able to see the second plane hit Number Two.

Now from four miles away, which I think is about the distance between our headquarters and the World Trade Center, it looked as if the second plane struck right where our floors are. Again, our top floor is 74 and most of our people are between 65 and 74. Thank God that plane actually struck slightly above where we were. It was an extraordinarily anxious time for us, being able to actually look out the window and not being able to contact anybody.

Fortunately, though, within minutes we began to get cell phone conversations. We actually spoke with our security director, Rick, who I mentioned earlier, who told us that the evacuation was going well and that he was going to see that everybody, or as many people as he could, got out.

With that, having seen both buildings affected, the decision was taken here, at 1585, within minutes, to evacuate the headquarters building and move over to our pre-designated command center, which basically is one of our training facilities in a nearby building in Midtown.

We relocated essentially all of our management team with all of the critical support people there within the hour. We spent the day focusing on our highest priority, which was our people and trying to account for them. It wasn't until probably 10:30 or so that the first of the employees from Two World Trade Center had made their way, had walked the four miles, up to our headquarters building, and we began to get first person accounts of the evacuation and what they had seen.

While it was horrific, it was the first occasion we've had for any kind of

encouragement that we might have a significant number of our people out. We got word fairly early on that the 1,000 or so people that we had in Number Five World Trade Center, where all of our asset managers and operations were, had mostly, we heard, mostly gotten out. So while it was an extraordinarily anxious time, that was the first, by mid-morning, opportunity that we had for any sense that it was not as bleak as the view out the window suggested.

In answer to Jim's question, what was, and I'll broaden it to say, what remains our highest priority? It is our employees. I'll digress for a second to say that we announced earnings for the third quarter last Friday, and our CEO in his conference call said we had taken the decision that our investors are best served if we focus right now on our employees and our clients. I think he's absolutely right about that.

A couple of other things. What we began to understand was that a lot of our employees who had gotten out of the building had simply begun to make their way home or to safety and we had no way of locating them. We were, I think, fortunate in a way that many, many, if not to say every other company who was in the World Trade Center was not, in that Morgan Stanley owns the Discover Card. So we have a number of call centers that are otherwise used for card member inquiries. I must recognize them also, if not for heroism, certainly for the management magic of the Discover Card people. We turned those call centers into basically the receiving post for all employees from the World Trade Center to call in and report on their status and report on anybody else they knew to be safe. Also, to allow friends and family of those employees to call that number and to get information. It was amazingly fast how they

were able to put together a database that allowed call operators to match employee names who might have called in with information with people calling in to seek the status of a friend, relative or loved one.

We had that 800 number up and operational before noon. That was our first public communication, and virtually everyone who was covering it put that on their crawl immediately. I don't want to say we were the first company, although I suspect we may have been, to get an employee hotline number up there.

Just to give you a sense of what the Discover people then encountered. By Friday of the first week they had tallied some 55,000 phone calls coming in. Because, as you can imagine, when the networks published the Morgan Stanley 800 number, not only did Morgan Stanley people call, anybody and everybody who was, as you can imagine, very desperate for information, called us looking for any kind of information or referrals that we could provide them. The Discover people were brilliant in handling those calls and channeling them to the other 800 numbers that were being set up and coming on line throughout the day for other people to call.

Some of the calls, as you can imagine, were heartbreaking from family members seeking any information at all. All of those calls were dealt with sensitively and professionally. The kind of feedback that they and we have gotten from how that operation went, again, is one of the more inspirational aspects of the whole story. We got through the first afternoon by setting up the call center, getting that call-in number out. We were also able to get a message out to all employees, and a note to clients.

We have, in the process of just an overall marketing initiative, gotten to the point where we're actually very good at being able to reach virtually all of our institutional clients with blast e-mails, something that even a year ago would have been difficult to do. But we've consolidated all of those lists and we've got a team of people who keep that stuff up to date. So we had 10,000 institutional clients getting an e-mail from us by the end of the day to, one, tell people what businesses were affected and which ones were not, and the fact that we were in fact operational outside of the U.S.

Part of what we saw early on in the first day and into the night were reports, mostly outside of the U.S. and predominantly in Asia, that Morgan Stanley was effectively out of business, that our headquarters were at the World Trade Center and that 3,500 people had been lost. I think it's just sensationalism and a certain amount of irresponsibility in various countries, but the trouble with that is it's deeply concerning to our people out in the regions. Thankfully, the corporate communications team from around the world was very quick to get those stories straightened out, and we were not dealing with the "survival of the company" story more than for a day or so, actually probably just a day.

We do have a worldwide internal television network that allows us to reach not only all of our institutional locations, but our 500 or so retail brokerage offices. Phil Purcell, our CEO, was on our internal TV network the next morning at 8:00 a.m., and he was able to say, the best news we had which was that we believed the "vast majority" of our employees had gotten out.

We made copies of that tape, and because of the time demands on his and all of our other times for television appearances we found it

much more efficient to make copies of the internal television announcement and make them available to all of the television networks, all of whom put it to very good use.

I talked about the business continuity story. I think on the basis of making that television tape available and our client communications, plus some very aggressive media follow-up, we ended the rumors about being out of business very quickly. Even though the equity markets in the U.S. were not trading that first week, all of the 500 branches were open. All of our 14,000 FA's were on the phone to their individual investor clients, listening to concerns, and to the extent that they could answering questions, etc. I think that was enormously effective as well.

Fixed income (that's bonds) trading began on Thursday; we were up and operational, as was the rest of the Street, which was a big vote of confidence. Not a single trade was missed. We focused, from Thursday on, all of our efforts on making sure that we and everyone else on the Street were going to be able to open for equity trading on Monday.

Going into Thursday evening, in anticipation of that we invited all of the wire services plus the major business dailies, the *New York Times*, the *FT*, the *Wall Street Journal*, *Business Week*, into an on the record meeting late in the day with Phil Purcell and Bob Scott, our president. Those interviews resulted in, I think, very positive, very reassuring stories, not just about the firm, but about the expected ability of the Street to handle the reopening on Monday.

We had our first ad, which was an open letter from Phil Purcell, our Chairman, in the *Wall Street Journal*, the *New York Times*,

and *USA Today*, on Thursday. I believe this to be the case Ours was the first ad of that kind to run, and we've all seen the literally hundreds and hundreds of other ones that have run since. We took that ad and made posters of it for all of our retail offices plus all of our institutional offices. If you come in now, you would have seen them in all of our elevator lobbies and so forth. I think people found that message to be quite reassuring.

I should say that virtually everything that we did live or sent we also put up on our Intranet site. This has seen the highest traffic two weeks for Morgan Stanley Today, which is our Intranet location, that we have, not surprisingly, ever experienced.

CNBC and Maria Bartiromo were in on Friday to interview Phil Purcell for their weekend specials in anticipation of the market opening. Again, that was as much a benefit of the firm as it was the overall markets.

Sixty Minutes II actually had a very interesting approach, which we agreed to participate in. That was to follow an employee who was relocated from the World Trade Center to one of our contingency sites, this one at Varrick Street, where we're continuing to operate all of our retail businesses. They met her at her home at 5:00 a.m. as she was heading in. They came and filmed, basically at the contingency site all day. They interviewed our CEO and a number of other people who had been there. That resulted in, I think, a very good, very balanced story. I've never, in my professional career, encouraged anybody to do anything on *60 Minutes* before, so it was a big leap of faith. I think it paid off enormously well. That *60 Minutes* piece we put up on our Web site.

We have, thankfully, now the ability to provide streaming video and we have used that extensively.

I'll wrap up briefly by saying a couple of other things. We have the benefit of some of the most, at the risk of sounding self-congratulatory, highly respected and widely read economists and strategists on the Street. Steve Roach, our Chief Economist wrote literally in two hours time, a bylined Op Ed for the *New York Times* saying, "The economy, too, will recover," which was a very reassuring message. That ran on Monday, the day the markets reopened.

Late last week, actually on 48 hours notice, we organized a prayer service, as distinguished from a memorial service, because a number of the families of employees we lost did not give up hope that their family members might be found. We had 4,000 people in St. Patrick's Cathedral for an interdenominational prayer service. We also broadcast that on our TV network and streamed it around the world. I think the response back from employees everywhere was extraordinarily positive and reassuring.

Lastly, we dealt late last week and continue to deal with the interesting side light on this whole story, which is the possibility that in addition to the terrorist attacks there may have been some aggressive market manipulation going on, including the short selling and buying of puts in our stock. Obviously it's not the kind of story we can have a lot to comment on, but that has also become something of a preoccupation. I'm sure if Tim Doke and John Kiker were here - they too were some of the companies that were targeted by these apparent efforts. So we've dealt with that as well.

I've gone on a good deal longer maybe than my allocated time. Let me just say that in answer to Jim's last question, what was your highest priority? It was our employees first and then our clients. I think we said if we take care of both of those, everything will follow in its place.

J. O'Rourke

Ray, thank you very much. We appreciate that. If you'll stay with us as we get down stream a bit, we'll take questions.

Let me move now to Paul Capelli, Vice-President for Public Relations at CNBC. Paul, you're not actually down in the financial district but you're over in New Jersey. How did things play out for you on the 11th?

P. Capelli

Sure, Jim. Thank you very much for inviting me to participate on this call today.

CNBC is a Fort Lee, New Jersey-based organization, as you mentioned, but as a financial news channel the events of two weeks ago deeply touched many of our staff here at CNBC. Our employees worked closely with many people that are located in the lower Manhattan financial district.

Luckily, as a CNBC group, we did not lose anyone in the tragedy, although there was an NBC employee that was in the building at the time, who unfortunately was lost.

Let me start out by giving you a snapshot of where I was, so you kind of see where my perspective was coming from. I was on my way across Bergen County New Jersey by car that morning and had called into the office here just a few minutes before 9:00 a.m., connected with one of my colleagues, who informed me that there was an accident

that was being reported, that it looked as if a plane had flown into the World Trade Center. At CNBC, with our focus being business and financial news, we aren't immediately trained to think of a major event or breaking news or catastrophe to be something that we immediately would focus on or rally around as someplace like a CNN or MSNBC or NBC news would. So I just remember thinking at the time, "This is terrible. This is going to be a really unusual day."

I actually had stopped and was going into a coffee shop right at the time when the news came across the news radio that the second plane had hit. I just sort of remember at the time going through the motion of thinking-- I was almost stunned. I got out of my car. I walked into a coffee shop. I was standing there. I guess the realization hit and I sort of said out loud to the group that was there what had happened, and then it just became very clear what was going on, that we were under some sort of an attack.

As I got back to my car and began to head into the office, it was really within minutes after that happened that the George Washington Bridge was shut down and then literally, all of the Fort Lee area was closed off, due to the proximity of the town to the George Washington Bridge. Much of my day from there on out transpired to be via cell phone from my car throughout the morning. And then ultimately, as we were able to clear the streets and turn around, I was able to work back from home.

I can tell you that the very first concern, from a CNBC perspective, was our people. We have a number of folks that are usually there in the area. We were able to, fortunately, very quickly, determine that the people that would normally be there were

safe. So by the morning we knew that CNBC staff was accounted for, which was fortunate. We made the decision here to evacuate our building, only maintaining the people that we needed to continue our news operations.

I mentioned, being a financial news organization, the next issue after knowing people were safe was we had to make a decision about how we were going to report this news. We're not traditionally structured to report and maintain breaking news coverage. It's not what we normally do here. But given the significance and the fact that we're so closely tied to the financial community and because we were positioned to report what was happening, we decided to maintain a focus of just trying to wrap our arms around what was going on and report the unfolding events.

Maria Bartiromo was at her usual post, down on the floor of the New York Stock Exchange, as was Bob Pisani. Ron Insana happened to be having breakfast that morning in midtown Manhattan when he got the news. With journalistic instincts he got up from his breakfast and jumped in a cab, headed downtown and just told the cab driver, "Bring me as far south as you can get me." He was actually down there on site by right around the time the second plane crashed into the building.

We wound up with going with about 95% of our coverage was our own original programming, as opposed to switching over and covering what NBC or MSNBC, our sister stations, were doing.

In the early hours CNBC was just focused on relaying the news, trying to give people a sense of what was occurring and sticking with our team, which was our *Squawk Box*

team that was on the air, and just letting them run through their normal scheduled time, and just sort of trying to do the best we could to explain what was occurring. Also, keeping, even from the beginning, a special attention to the financial community, as we knew that was who was most likely tuned into our channel.

As the day evolved we focused on really just the crucial necessity of disseminating accurate and clear information. We knew a major story, beyond what took place and the human tragedy, was the impact of the people that were involved in conducting the nation's business and how this tragedy was going to impact the business and financial markets. We continued to report about the impact of the loss of people and the infrastructure, but then also the pending market opening and what the government reaction was to what taking place, and how companies that were affected by the tragedy were dealing with these events.

Logistically, there was a great demand right away for a lot of our reporters. We were doing cut-ins to NBC stations around the country. We normally do ten or 15 of them. I think we did 40 or 50 on that day. Early on we made the decision to have CNBC function as a conduit for those companies and institutions that were affected, so that they could communicate to their employees and their customers.

Pretty early on we removed the traditional CNBC ticker and began to scroll the 800 numbers, the employee hotlines, trying to do whatever we thought we could, so that family members could find out what was happening. We did this through the course of the day. Of course, as all television, we were commercial free, and really just

focused on the need to understand from a human and a business level.

Through Wednesday we also focused on when the domestic markets would reopen, as, again, next to the human tragedy, this was a major concern, and really offering a perspective on the direction that the markets would take when they did open. We were providing commentary and a perspective on what the impact of this event would be, both on the domestic and the global economy. We kept with this news throughout the day and then also made a decision to broadcast our CNBC Asia and CNBC Europe programming overnight. In the US, there was no way to indicate what this was going to mean, from a business and financial perspective, so being able to allow people to tune into the overseas markets gave them some sense of what was happening around the world.

On Thursday, once it became clear that the financial markets would open on Monday, we began to focus on providing the information about how the market opening would occur, looking at the possibility of rules changes, logistics, what people need to know to get back to work in lower Manhattan. Again, being the channel where that financial industry would focus, we wanted to continue to be the information conduit as a news source for the financial community.

Over the weekend we made the decision to open up our airways to the SEC, the New York Stock Exchange, NASDAQ, and basically said, "You have our air for four hours on Sunday, so that you can communicate all the logistical and safety information that employees will need to get back to their jobs come Monday morning." So through this "Market Reopening

Information Center" that aired on CNBC Sunday night we were able to do just that. We also made a decision to broadcast a special version of *Business Center*, and that aired on Sunday evening from the floor of the New York Stock Exchange. We think by being there and broadcasting live that evening, it really helped communicate to the financial community that it was safe to be in lower Manhattan. We expected that there was probably a lot of anxiety for people that, as the markets were opening, the tens of thousands of people that would be returning to work, if it would be safe to be there. So we were pretty proud that we were able to logistically make that happen. Bob Zito and his team were, of course, a huge part of that, and I'm sure he'll talk in more detail about some of those things.

It also just put CNBC in a unique position to get our truck down there and be on site Monday morning. In additions to the human tragedy, people wanted to know - - what does this mean from a business perspective? Many eyes were turning to the opening of the markets on Monday morning. We were able to be positioned there inside and outside of the Exchange and really report what was going on.

As far as the impact to our organization and going forward, there are a number of issues we're looking at as a news organization. One of the major ones, just really being a tonal issue. The way that the news is being presented, as you know, it has changed. If you look at programs, like we have in the morning like *Squawk Box*. It's known to be a very irreverent program. We certainly needed to take a look at that and adjust how we're presenting that show. Once the markets opened, we took a strong and hard look about how we present a broadcast with sensitive coverage of the

impact of the markets. From an internal communications prospective, we were out on the first day with communications from our President on that Tuesday evening. We had internal communications that we sent out to our newsroom that really focused our people on looking and considering that, against the backdrop of this human tragedy we really needed to provide a clear and dispassionate depiction of what was going to happen once the markets opens. Given the times, to use the word dispassionate, it seems unusual, but as journalist it's something that we needed to do. So we were just highly sensitive to our tone and standards of objectivity. We didn't want to celebrate if the market went up or lament if the markets went down, or in any way contribute through our coverage to either feed or any way impact what was happening. We really looked at how our people interacted with one another on air, as well.

We knew that we would have a very large audience once the markets reopened and so from a business standpoint we made a strong effort to really present news in a way that was very easy to understand, not using financial jargon. Normally in cable news, we deal in a few hundred thousand viewers. CNBC traditionally focuses on the individual investor and the financial community has a pretty savvy audience, but given what was going on, we knew we'd have a much broader and wider audience. As it turns out, more than a million people tuned in, and in cable terms that's a lot, at 9:30 on Monday to see the opening bell. So we continued to try to help make sense for a lot of people, seeing a great impact on their individual financial situation.

Looking at critical issues to the organization, it was and continues to be

taking care of the people at CNBC. As you can imagine, we have been working around the clock here. From an internal communications perspective, using our Intranet, regular communication from our president and from our head of business news, doing a lot of small things for our employees, just to kind of keep them going, everything from free food and snacks and bringing in crisis counselors that we've had on staff here. One of the things that you might not think about, there's just a lot of footage that the average person is never going to see that people need to look at and screen to decide what's going to go on air, and just the impact that that has on individuals viewing that, it's really been traumatic from that point of view for a lot of people. So we've just done a lot of things along those lines.

We had our own clothing drive through our Intranet. We've had links to charities so people could contribute. Our parent company, GE, pledged \$10 million for the families of the firefighters, the police officers, and the emergency rescue personnel. CNBC made a pledge to the American Red Cross. I think all of these things that we've been doing and communicating from an employee perspective has meant a lot and helped people keep going through a very difficult time.

Other critical issues from a PR perspective, it's really managing how we present ourselves externally. From a media relation's side of things we've gotten a lot of calls, a lot of requests. As a group we've taken the posture of being very responsive, providing information if asked. We've made our anchors and reporters available for numerous TV, radio and print interviews, and we continue to do so. We have not proactively solicited any of our people,

which some people made that decision to do that and others didn't. If you're in the New York area, you may have seen some of the New York newspaper coverage that was highly critical of some other news organizations that were soliciting their people for availability on what was happening.

Going forward, I think that we need to acknowledge that all information and all public relation's efforts are going to go through the September 11th screen. We're looking at what this means from a business perspective. We acknowledge that our viewers are primarily the individual investor. From that perspective we're looking at them as being a key audience and understanding that they've suddenly been subjected to a combination of dramatic short-term financial losses, high market volatility, a shift in the dynamics of the major industries and uncertainty regarding the global economy. We're looking at that, and really trying to look at it from a viewer perspective and think what we can be doing to continue to present them the information that's most relevant.

We've been airing some new programs. For example, last Thursday we had Maria Bartiromo with Tyler Matheson host a one-hour town hall meeting with the Vice-Chairman of Fidelity Management and Research, Peter Lynch, to really guide and provide individual investors through the aftermath of these attacks. That program got a fantastic response. It was actually picked up over the weekend by the all the NBC affiliate stations. So we're going to continue to kind of look in that vein of doing those types of things.

We had a *Wall Street Journal* editorial board, as well, last Thursday and doing

another one of them tomorrow evening, really just helping people to deal and understand what's taking place. From a communications perspective, I think there's going to be a lot going forward about how we communicate, how CNBC is evolving with some of that programming.

We're really just looking ahead now, from a business perspective, of what all this is going to mean. We're going to be doing some senior management planning, looking at how we allocate resources. Certainly the core of the CNBC brand is going to remain focused on the financial markets, the individual investors, but I expect there will be a shift going forward in how we approach all this and that our public relations team here is going to play a key role in communicating that shift and positioning the evolution of the network. I think I've used my time here.

J. O'Rourke

One of the things I like, this is Jim O'Rourke at Notre Dame, one of the things I like about corporate communication professionals is that so few of them are reluctant to speak. Bob Zito, are you on line?

Moderator

No. He's not.

J. O'Rourke

He's not yet. We'll wait for him to join us. I do have a couple of questions. Paul, while I still have you here, let me ask you about a phenomenon I frankly wasn't aware of until this week. It's the phenomena of story branding.

NBC began by identifying its story of the coverage of the events of the 11th and the weeks after as the Attack on America.

They're currently branding it as America on Alert. FOX began with America under Attack and now America United. CBS said it was Terrorists Attack and now it's Terror Hits Home. CNN, pretty consistently from the beginning, has been using the tagline America's New War. ABC is using America Attacked. And the *New York Times* has been using an interesting phrase called A Nation Challenged.

Paul, I'm wondering if you have some thoughts about what it means when breaking news is branded in the same way that products or services or the identity of an organization is branded? Can you tell us what some of the thinking is that goes into that and what it means for the viewer?

P. Capelli

Yes. I can share some thoughts on that, because I was involved in discussions here at CNBC with our senior management. It was quite unusual for CNBC to go with the tag of Attack on America, which we had for the first few days.

I can speak from our perspective, from CNBC. I know that what we were doing was to capture the sentiment of what's happening. Even though you look at it as a branding, I think what we try to do is to really capture and reflect what was happening, and try to then relay and communicate the coverage and what was happening in the world. Very much, those first few days, Attack on America, which I think a number of the networks went with, really summarized what was being reported.

I know on our network, even for us to do that, again, not being a breaking news organization was somewhat extraordinary for us. I know that we evolved then to, I forget exactly what it was, but America

Heals, or something along those lines, over the course of the end of the week and the weekend. Again, we looked to sort of summarize and be reflective of what was going on and what our programming was, and then use a summary that fed back the events that were taking place and were being covered.

J. O'Rourke

I presume most of that continues out to the Internet web site and to other products that you produce?

P. Capelli

Yes. That's correct.

J. O'Rourke

Ray O'Rourke, if I might ask you what you hear on the streets these days about corporate communications and PR budgets. What's likely to happen? Are you likely to get more money or less or are things going to stay pretty much as they were?

R. O'Rourke

I would say, Jim, to the extent we've talked about budgeting and all, we are on the eve of our budgeting process. Actually, that's all been pushed back a couple of weeks, understandably so. Whatever may happen to our budgets here, and I wouldn't presume to talk about others, will happen irrespective of what we went through in the last two weeks. It's no secret that it's been a particularly tough market, tough three quarters now for the securities industry. We were mindful going into this, mindful of that two weeks ago, and that hasn't fundamentally changed.

Speaking personally though, I don't see that I would be going in for big incremental commitments, based on what we have been through in the last two weeks. Most of the

infrastructure items that I mentioned that allowed us to be as quick and as comprehensive in a lot of communications we did, are already in place and that improvements to those are going to happen, irrespective of what we've been through.

J. O'Rourke

Okay. Let me ask you what you think at this point about corporate philanthropy budgets. We've read and heard about a number of large corporations, large organizations that have made unprecedented contributions to the September 11th Fund, to the New York firefighters and police fund, to the American Red Cross and to others. There have been substantial amounts of money raised. It's obviously heartwarming to see Americans step up and contribute to people when there's an immediate need. What does that do to corporate philanthropy budgets going forward? Does that pretty much gut the budget for a year or more, or is it likely that they'll be able to make commitments to other charitable activities that they'd already been affiliated with? What's your sense of that, Ray?

R. O'Rourke

Again, I wouldn't presume to speak for others. I would tell you that we as a firm have made a \$10 million commitment. We have set up the Morgan Stanley Victims Relief Fund, and we are matching employee contributions up to a minimum, I think, of \$10 million. Discover Card is shortly going to announce their own sort of unique fund raising effort along those line, in addition to which they've just added, those of you who know the Discover Card know that one of its differentiators is their Cash Back Bonus. For years they have allowed cardholders to make a donation of their Cash Back Bonus to a couple of different charities. They are

about to add the American Red Cross to that.

Having said all of that, I do not think, and I've been involved in most of these discussions, it has been our understanding from the start that this \$10 million commitment that we are making is incremental to the expenditures of the Morgan Stanley Foundation and that the firm had otherwise committed to, so this is over and above, on top of, one-time, if you will. I think anyone else to whom we have made commitments and the program areas where we've traditionally focused are not going to suffer as a result.

J. O'Rourke

Okay. That's interesting. It sort of raises one other question, and we'll give Bob a couple of minutes to check in with us and if Bob is still tied up, we'll go to questions. My last thought really concerns publicizing good works. If you're doing good things, you're obviously doing what's right, but there is, deep in the soul of any public relations or corporate communications professional, the urge to get credit for it, somehow publicize what the company is doing. Let me start with you, Ray, and say where's the line, where does the line of propriety fall between taking credit for good work you've done and simply making people aware of what you've done?

R. O'Rourke

Let me start by saying I'm not sure, it may in fact be the case that deep in the heart of PR people that there is the urge to publicize, but I would say that I don't think PR people are any different from anyone else, in as much of their recognize that virtue should be its own reward. That said, my own read of the way these victims' relief funds have been announced, and I'll limit the

observation to this circumstance, has been done with an admiral degree of restraint.

In our own case, we put out an internal announcement on the fact of the creation of the fund. We did not put out a press release to that effect, obviously given the level of scrutiny we are under, word of that became known very quickly, and we certainly acknowledged it. I think part of what not necessarily what we saw, but what I think a lot of firms who have made contributions and established funds who wouldn't otherwise have publicized them is that they've seen competitors, or others in their industry, setting up funds, making contributions, and they find themselves in a position where they would be sort of conspicuous by their absences if they didn't, at a minimum, acknowledge the fact of their funds.

Overall my sense of what's been communicated about this so far on behalf or by the people that are actually making the contributions is that it's been admirably restrained.

J. O'Rourke

Good. Its 12 noon in the Central Time Zone and one o'clock in the East, or very close to that. May I ask if Bob Zito is here yet?

B. Zito

Yes. I just joined.

J. O'Rourke

Hi, Robert. How are you?

B. Zito

Fine. Thanks.

J. O'Rourke

Good. A couple of questions. First, quickly, how is the market?

B. Zito

The market right now is relatively flat today. Right now the Dow is down 30, the NASDAQ down about two. S&P is up two.

J. O'Rourke

Good. Bob, thank you for agreeing to join us. You're a great colleague and a friend. We all remember being at your place, not long ago, having drinks and hors' devours on the floor of the Exchange. It was a great thrill for me to see how the markets work. My sense is that things are going well there. Give me your sense. First, talk a bit, if you will, about September 11th, and then talk now about the New York Stock Exchange and about the equity markets and how things are going.

B. Zito

Things going well is a relative term these days. Every day, for those of you on the call who come downtown, you've got a very vivid reminder of what happened on September 11th and it's not pleasant. Every day people are leaving the trading floor to go to memorial services for colleagues and friends and that's a very difficult experience. There are still a lot of people in this community who are having tremendous difficulty at coming to grips with what happened. I don't know that for some it will ever be the same. As a matter of fact, I can tell you for this entire community life will never be the same.

When we say things are going as well as they can, we're talking about from a systems perspective. From a systems perspective everything here is fine. The New York Stock Exchange could have opened that day, could have opened the next day; for obvious reasons that have been well documented we decided not to. The entire industry supported that. We did that in concert with

the NASDAQ. This was a situation where this entire industry came together as one and said that the rescue effort and the people issues that were taking place in all of our companies were much more important than trading during the course of that week.

It was, however, extremely important to America, and I think to the world, and certainly to all of our companies, that we got back up and trading on Monday. Verizon did a phenomenal job, in terms of rebuilding its infrastructure in lower Manhattan, to make all of the member firm community connected with each other, with the clearance and settlement houses, so that when we came up on Monday, it was seamless.

We were not at 100%, in terms of line capacity. That said, I think those of you who know the Exchange know that our capacity is significantly overbuilt. Even though we weren't at 100% and we did record volume on that Monday, we never had a hiccup. I think by now Verizon has made it so that the system is 100% operational.

The AMEX, as many of you know, is still not back in their facility. They hope, later this week and early next, to reoccupy their facility. However, they are living here, from an equity standpoint, and in Philadelphia from an options standpoint, for the time being and until they get the all clear to go back into their facility.

That's kind of a nutshell as to where we are from an operations standpoint. From an emotions standpoint, I think it's going to take a lot of time.

J. O'Rourke

Bob, can you describe just for a couple of minutes what the morning of the 11th was like and how the decision was made to close the Exchange, and what the sense was of people who were working on the floor and working along Broad Street, along Wall Street, that day?

B. Zito

Yes. Let's look at it from the professional side and from the communications side, as opposed to the broader issue. From a communications standpoint, when the first plane hit, those of you in lower Manhattan know that there was a tremendous noise in lower Manhattan and nobody really knew what that noise was. It sounded here like we had just been buzzed by an F-15. It's a noise that none of us ever want to hear again. You heard this plane coming over you. Then you heard an explosion or a crash. Nobody knew what had happened, except that when you looked out windows, you saw papers flying in the air like it was a ticker tape parade welcoming home the Yankees after and world championship. The difference this time was that a lot of paper was burning or it was charred.

You then, on the networks, start seeing these images of the Trade Center and the notice that a plane has crashed into the Trade Center, so that explained your noise. No one as yet has said this is a terrorist attack. Most people felt it was an accident. Then a short time later, of course, you hear that same noise. If you're watching television, you see the second plane coming in and that's when everyone knew it was a terrorist attack.

The trading floor was getting ready to open. Those of you who know the trading floor know that that is sometimes the busiest time of the day, as brokers are getting orders to

specialists, as specialists are disseminating market look so that brokers can go back to their clients and tell them how an individual stock looks like it's going to open. It's an extremely hectic time of day, but the noise had obviously distracted everyone to the point that now everyone is glued to monitors on the trading floor instead of watching what was happening in the marketplace.

We have a standard operating procedure here that when there is something that will impact the market in some way, shape or form, we convene as a management group on what we call the ramp. It's kind of our control tower at the Exchange. The chairman is there and it's there that we make decisions and give marching orders. We all input what we know and we make decisions based on what will happen at that central point.

We started, about a year ago, instead of using news services to disseminate information, using CNBC and CNN. We just found it quicker and we found that the new services are monitoring CNBC at that point as well. We used them as our PR newswire, almost, if you will, or as instead of a call to Dow or Reuters, I will simply brief Maria Bartiromo and Christine Romans, who typically are on the floor in the morning. They immediately go on the air and we've got our news out there.

What we did that morning was, after the second plane, we made the decision in concert with the SEC, our chairman was on the phone with Harvey Pitt from the SEC, to delay trading until we could assess exactly what was going on. We got that information out. When the plane hit the Pentagon, we made the decision to not open on Tuesday the 11th. We got that information out.

The issue for us came when the first building came down, because it really shook lower Manhattan as if it was a small earthquake. As those of you who were downtown know that day, it just got pitch black down here. When the building came down, our lights flickered, the building shook, the windows shook, some of our front windows were broken. There were obvious concerns, I won't call it panic, but there was concern on the trading floor that we would possibly be next.

Dick immediately got on the PA system, was getting briefings from the NYPD and the FBI almost every ten or 15 minutes, told people that we were in no danger, that the best place for them at that point was on our trading floor, not out in the street in the smoke, ash and debris, and really shut the facility down so that no one could leave. We felt that was the best course of action at that point.

We kept everyone on the trading floor. We evacuated our building. We evacuated our staff from upstairs, got them down to the trading floor and into the basement, so that everyone who was in this facility that day, about 5,000 people, were either in the basement or on the trading floor.

It was about two hours after the second building came down that the NYPD felt that the dust had settled enough so that we could start letting people out with clear knowledge that they could only walk east, to the river. There were emergency ferries set up to get people back to New Jersey. People were actually walking over the Brooklyn Bridge, through the Brokenly battery tunnel, and I believe the Staten Island Ferry was running as well, to get people back to Staten Island. We just used the trading floor and an old

fashioned PA system as the way to communicate with employees.

J. O'Rourke

Bob, how is the mood now and what are the thoughts about critical issues going forward? What's sort of foremost in your mind, as a communication professional, and is there some sense of strategy or direction at this point?

B. Zito

I think there are a number of things there. Number one, our primary concern still is people, and helping people here deal with what's happened. Everyone in this community has someone very close to them that they've lost, whether it's a co-worker, whether it's a customer, whether it's a family member; everybody in this community has lost someone in this incident, so people are the priority still.

We have overbuilt the New York Stock Exchange to a significant extent. That said, fortunately we proved, by moving the AMEX over to our trading floor in a matter of days, that we can, or a marketplace in the United States can quickly be up and running in an alternative location in a very short period. We actually have two locations that with minimal effort we could move people to and begin trading. Those are our two data processing facilities. One is in lower Manhattan. One is not in Manhattan. But we could quickly move people there and continue trading if need be.

What we are looking at however is the possibility of building another site, again, not in lower Manhattan, that, would we need to, we could quickly have up and running as an alternative site.

The pundits out there who like to say this is proof that physically convened trading is a thing of the past just don't get it, because we are not the largest trading floor in

Manhattan. Almost every one of our major member firms has a larger trading room, if you will, in Manhattan. Some of them have large trading rooms in Connecticut. Any place that you're going to do trading, you're going to physically convene people, whether that is at a firm or whether that is at a facility like ours, which some have called a utility. In NASDAQ's case, those member firms who participate in the NASDAQ market have trading rooms in the firms that they can conduct their NASDAQ trading from. NASDAQ has central processing facilities, whether it's the one in Maryland or whether it's the one in Connecticut, which have the same vulnerability as a site like the Verizon site in lower Manhattan, which really took out the phone lines, or 80% of the phones lines, in lower Manhattan when the Trade Center collapsed.

So from an operational standpoint, what we're looking at as a priority is the possibility of adding a fourth site and that's a very real possibility moving forward. But people are the primary issue. An additional site, the secondary issue. Then I think the third issue would be when we simply get back to business as usual. My guess is that will be closer to the end of the year, with full resumption of business as usual with listing celebrations, promotional events and all that stuff, probably sometime in 2002.

J. O'Rourke

Okay. Bob, thank you. It's a quarter past the hour now. I promised this wouldn't go too long, but I also promised our listeners that we would take some calls. Kathy, you're our moderator for AT&T. I'm wondering if you could pass the first caller along.

Moderator

We have no questions from the phone lines, sir.

J. O'Rourke

Okay. Any last thoughts? We'll wait and see if there are any dial-ins. Ray, Paul or Bob, anything you think you'd like to add at this point?

R. O'Rourke

No, Jim, other than, again, to say thank you for the opportunity. I over went my time earlier, so I'm not going to press my luck.

J. O'Rourke

Ray, we're always delighted to hear from you. You're a good friend and thank you for this. Paul, any thoughts?

P. Capelli

No, just to say thanks again. I was glad to participate. Again, I think I took more than my fair share of time there. I was glad to be apart of it.

J. O'Rourke

Good. Bob Zito, on a personal note, thanks for doing this. I know I'm stepping out of my role as moderator, but I must say, I hear what a hero Dick Grasso is and I want to tell you that we are impressed. People who live out here in what we used to call fly-over country, are genuinely impressed with the courage and the dedication to duty that we see on the part of people in the financial community and in lower Manhattan. Thanks to you and thanks to all of your coworkers for all you've done to make us proud.

B. Zito

We appreciate it. Dick did a phenomenal job. We made a decision early on that we had to be very visible. We had to be out

there. It was not done alone. As some of you may have read, Dick convened, with Harvey Pitt, a meeting of major member firms the day after on September 12th. The member firms, it was a very warm thing to see, that companies that you knew were tremendous competitors sitting around a table asking each other how they could help. The primary concern was people, and really it was a table of 20-some odd competitors just looking across at each other saying, "How can we help? How can we help you get back up and running? What facilities do we have that you can take advantage of?"

I think the media still has not quite gotten the grasp of us and NASDAQ doing things hand-in-hand. When Holman Jenkins last week in the *Wall Street Journal* wrote a little bit of what we thought was a scathing piece, it took one phone call to get Dick and Wick Simmons from NASDAQ to agree to coauthor a letter blasting the opinion that he had surfaced on the pages of the *Journal* the day earlier. Dick made a call to Peter Kann to talk about how insensitive he felt Jenkins' piece was. I called Stieger. I know that my colleagues at NASDAQ did the same. It's an interesting time. It's really a case where everyone, I think, in this country has rallied together. It's kind of a warm thing to see. But, of course, I would have given anything to have not seen it.

J. O'Rourke

A writer in *New Yorker Magazine* said flatly, "The age of cynicism is over. Things certainly have changed. What I know is that it may be difficult, indeed, to return to normal. The best we can do is move forward and rely on one another."

Jim Murphy, are you still here?

J. Murphy

I certainly am and I want to thank all of you. If there are any questions that have been queued up, we can certainly consider that. Kathy?

Moderator

Yes. We do have two lines in queue. We have a question from Frank Ovaitt. Please go ahead.

F. Ovaitt

Hi. First of all I want to say I think this program has really been superb. My congratulations to each of the panelists, as well as to Jim, Matt and to Jim again for pulling it together. In fact, what I had was more of a suggestion than a question, which is that we could well benefit, week after week, for some period to come, doing this again with the set of panelists from the public sector, from the public service organizations, from international relations' organizations. There are so many different angles on this that it would really be helpful to us as public relations professionals to keep hearing those points of views.

J. Murphy

Frank, it's Jim. We have a Board meeting on Friday and I'll certainly tee that suggestion up. We don't want to overdo this. We want it done in taste and appropriateness, but we will certainly consider that.

F. Ovaitt

Terrific. Thanks very much.

J. O'Rourke

Thanks, Frank. Another question, Kathy?

Moderator

Yes, from Linda Kingman. Please go ahead.

L. Kingman

Hi. I also want to thank you all for taking the time to do this. I'm sure you don't have much time to spare right now.

The question that I have is for Ray O'Rourke. It relates to the *60 Minutes II* following your employee around as he or she came back to work. I wondered, were you concerned that you didn't want to be in a position of exploiting that employee and the grief that they were going through? How did you make the decision to participate in that story?

R. O'Rourke

A couple of things. One, I think we had had extensive conversations with a couple of candidate employees. We had about four, actually, that were possible candidates, all willing to do it. None of them expressed the kind of reservations that you identified and you would think that there might have been obvious calls for concern.

The person that we chose actually had the interesting job at the contingency site. She had been there through the weekend getting it set up. She was what they called down there one of the go-to people, so she was a designated problem solver, extraordinarily enthusiastic, committed employee and she was very eager for the opportunity. I don't think, while we anticipated the question and we raised it with each of the four possible candidate employees, so we were mindful all of it, all of them were emphatic in reassuring us that it was not something that they were concerned about.

The second thing was we had lengthy conversations with *60 Minutes II* about exactly what it was they wanted to get every step of the way. Thirdly, quite honestly, taking a step back from it, notwithstanding

CBS or *60 Minutes'* well-deserved reputation among PR people, there were very few discernable, serious downsides to the story. The other thing was the real opportunity, against which we weighed the minimal downsides as we saw them, with the ability to communicate to a vast audience. Remember, we have 15 million individual investor clients, many, many of whom would be watching *60 Minutes*, that that business was up and running, and they had no reason to be concerned about Morgan Stanley, whatever other concerns they might have. That was too good of an opportunity to pass up.

J. O'Rourke

Thanks, Linda. Thanks to you, Ray. Jim Murphy, it is about 22 minutes past the hour and we probably overstayed our welcome in most time zones. Any last thoughts?

J. Murphy

I just want to thank all of you. I think this has been a significant event for us, as our organization. I'm really appreciative of Ray and his fellow panelists, Bob, etc., that you joined us. We will take under advisement the suggestion we continue these dialogs and we'll keep you posted.

Thanks all of you for attending with us today. Thanks, again, to the panel.

J. O'Rourke

Thanks, Jim Murphy, and from South Bend, Indiana, thanks to all of our listeners today. It has been gratifying to see how true professionals perform in a time of crisis. Look after each other. Stay in touch. At the very least, we will see you in New York in April of 2002. Bye.

Moderator

Ladies and gentlemen, that does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.

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