

MEMORANDUM FOR THE RECORD

Event: Meeting with American Stock Exchange

Type of event: Briefing

Date: Jan. 14, 2004

Special Access Issues: NA

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Team Number: 8

Location: 86 Trinity Place, New York, New York

Participants - Non-Commission: Salvatore F. Sodano, Chairman and Chief Executive Office, American Stock Exchange

Participants - Commission: Emily Walker

The purpose of this meeting with Sal Sodano at the American Stock Exchange (AMEX) was to solidify the report on the AMEX's role in the closure of the markets on Sept. 11 and the reopening on Sept. 17 as well as learn about the evacuation and recovery story from this entity which was located adjacent to Deutsche Bank and the WTC complex and received quite extensive damage.

Sal Sodano was in NYC on Sept. 11. He was sitting at his desk when he heard an explosion. The TV flicked as well as the lights. He looked out his window and saw papers coming down from the sky. He ran down to the trading floor where his command center is located and heard the news that it was a small plane. He made some calls and tested the equipment to make sure the exchange could open and while he was standing in the control room watched the second plane hit on the TV. The building shook. He said there was pandemonium. Smoke began to build up. He called the SEC and Dick Grasso at the NYSE to tell them they could not open. The smoke was filling the room and his only concern was people's lives. Grasso suggested that they just delay opening. Sal said that he told Dick that he had no options. They were closed. There was debris everywhere and smoke. He also said that when he called the SEC to tell them that they were closing, the person on the phone at the SEC said he needed "more confirmation" before he could authorize closure. Sal was furious. He said people's lives were at stake. He was

in charge of the Exchange and he said that it could not open. As far as he was concerned, that was it.

Around 10 a.m., Sal and his President Peter Quick, stepped outside the front door of the exchange to see the damage because at that point they had no communications and had no idea what had happened. Just as they stepped out, they heard of roar of thunder, an earthquake sound and they ran back into the building at which point there was complete darkness and they were covered with heavy white dust (as was the interior of the building where glass had broken through).

He had not ordered an evacuation of the building prior to that point because there was so much debris, human and other, falling outside and so many cars and other things burning that he did not think it was safe to leave. In that case, when (what they later learned out had happened) the towers fell, there were still quite a few people who had remained in the building and now were covered in soot and breathing difficult fumes. Oxygen tanks were brought down by their medical department. They instructed people to douse their handkerchiefs and scarves in water and breather that. They now were in complete panic. Nothing was working. They had no idea what had happened. And then the second building fell. The north side windows were broken. Projectiles were through-out the building. There were two and three feet of debris. He was standing in the archway of his office on the 10th floor when the second building fell and he thought he was not going to make it.

His building housed 3500 people. He did not know how many people had self-evacuated. He did not know the towers fell until later in the day. He took the group that was left and they went to the basement where the computers were housed. There was a generator still working there and they could breathe. They stayed huddled in this room until around 3:30 pm when his bodyguard appeared with the Fire Department to take them to safety. He said that his body guard had dropped him off at around 8:30 a.m. and had moved the car when he saw what had happened to the first building. His bodyguard had been stuck outside but eventually came back to "find his boss" and in effect, rescued the group.

Upon departure from the building, they witnessed a "horror scene". Police officers were crying. Cars were burning. Dust and smoke were everywhere. His driver drove him and several others to Long Island. The FDNY helped the others get home.

That night, Frank Zarb, former head of AMEX, called Sal and said that he had spoken to Dick Grasso at the NYSE and arranged for Dick to offer AMEX trading floor space. Sal then called Dick Grasso at home the night of the 11th and Dick suggested that he come to the NYSE on Sept. 12 at 11 a.m. to see the space.

On Sept. 12, 2001, Sal received approval to re-enter his building with his President, Peter Quick, and they did a serious inspection with building managers. There was significant damage. There was no power, water, steam, computers, phones etc. He said everything was destroyed. He said that it was inoperable. Then they went to the roof (a 17 story building) and saw horrible things on the roof. In addition, there was a fire on the roof that was looking damaging. They called the fire department, but there was no availability of FDNY due to the rescue effort, so they got all the people around, all the fire extinguishers they could, and put out the fire themselves. He believes that this fire would have destroyed the building (which AMEX owns).

Nine people from AMEX were killed attending meetings at the WTC. Sal went to their services. He made calls to the construction people to survey the building and they had 75 people in the building on Friday. Ivan Sidenberg from Verizon made AMEX a number one priority and helped considerably with the speedy renovation of the building.

In terms of the market closure, Sal attended the meetings that were convened by Dick Grasso and chaired by Harvey Pitt. He said that he took the decision to take Dick Grasso's offer which was brokered by Frank Zarb and moved the equities and ETF trading to NYSE. Fortunately, they were connected to the same technology company (SIAC), but the room at the NYSE was boarded up and they had to set up the AMEX technology for specialists and brokers and telecom in that unused space rapidly. He also had to get approval from the SEC to trade in emergency situations. He spent from Thursday through the weekend rebuilding. He set up a command team and everyone was phoning it to figure out where they would go. He moved the options traders to

Philadelphia. He mentioned that the lack of competitiveness was significant in the re-opening of the market.

He suggested that while the AMEX had a continuity of business plan, it was not really actionable. They had no real back-up. (Now they have a second trading floor outside NYC).

He discussed the meetings on Wed Sept. 12 and Thurs Sept 13 where market participants and the regulators were present to discuss when to re-open. He said that Grasso originally wanted to open on Thursday but the firms did not. He said that Purcell from Morgan Stanley, Grano from UBS Paine Webber, Mike Carpenter from Citigroup were present. In fact, he said a senior person from all major firms was there. He said that the major common denominator of the meetings was that "failure was not an option".

Sal said that construction began on rebuilding the AMEX immediately and they were back in the building on Oct. 1. He said that Gov. Pataki's office was particularly helpful in this process. He said that Verizon and the city worked very hard to get them up and running and they were the first and only people back in the corridor for a while. He said he was surprised but almost all of his employees came back to work. They had to use a tunnel from Rector Street to get into the building. There were odors and it was a difficult environment within which to work. He greeted everyone personally on his first day back. He said that this experience changed him permanently both as a leader, a family man, and a manager.