NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE
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California Treasurer Rebukes U.S. Companies for Fake Relocations to Offshore Tax Havens
Cites weakened investor rights and threat to integrity of financial markets

SACRAMENTO, CA – California State Treasurer Phil Angelides today announced a policy prohibiting business dealings with publicly-held U.S. corporations that relocate offshore – *in name only* – to avoid paying taxes and to skirt legal protections for investors. The Treasurer also proposed that California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS), the State's giant pension funds of which he is a Board member, stop investing in or otherwise doing business with, these U.S. corporations that expatriate.

A growing number of companies, such as Tyco International, have flouted U.S. taxation and legal protections for investors by reorganizing in Bermuda, the Cayman Islands and other offshore locales. Angelides criticized these offshore schemes as part of a larger pattern of deception and lack of integrity in the corporate boardroom which has harmed the marketplace and investors.

"Corporations hiding behind a mailbox in Bermuda are shirking their duty as Americans, and undermining confidence in the financial markets. These sham transactions, like the accounting scandals at Enron and WorldCom, are the kinds of deceptive corporate practices that have shaken the financial marketplace, and cost families, pensioners and taxpayers billions. We will use our clout as investors to let companies know we will not tolerate this type of irresponsible conduct," Angelides said.

Angelides took the following steps against corporate expatriates:

- Implemented an investment prohibition by the State's $45 billion Pooled Money Investment Account (PMIA) in publicly-held U.S. corporations that expatriate. The PMIA is comprised of State and local taxpayer funds, over $10 billion of which is invested in corporate securities that must be on a State-approved list. Today he removed Ingersoll Rand, a company that expatriated to Bermuda, from the list of eligible investments.

- Prohibited contracts and other business dealings with expatriate U.S. companies by the State Treasurer's Office. In addition, these policies will apply to the various State boards and commissions chaired by the Treasurer, subject to ratification.

- Requested CalPERS and CalSTRS to eliminate their holdings in, and cease to do other business with, expatriate U.S. companies. The two public pension funds, the first and third largest in the nation with approximately $250 billion in assets, currently hold $752 million in investments in publicly-held U.S. corporations that have expatriated. Also, he urged the pension funds to vote their shareholder proxies against proposed expatriations by companies in which they hold investments.

(over)

Angelides' policy comes at the same time Congress is debating curbs on corporate expatriation, an accelerating trend which is projected to result in federal revenue losses estimated at $628 million over five years, and as much as $2.1 billion over 10 years. He expressed hope that Congress will soon approve strong federal legislation to stem this growing practice, but until then, he vowed that institutional investors must act to protect themselves and to deter future relocations.

"These companies desire all the benefits of the American system, but they are unwilling to play by its rules. Companies that avoid their tax obligations and look for ways to duck their legal responsibilities would not think twice about harming their investors," Angelides said. "The State of California, as a major institutional investor, must use the power of the purse to bring about an end to this misconduct," he concluded.

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To view a partial list of U. S. corporations that have relocated to offshore tax havens, click on the link below.

Publicly Held U.S. Corporations Identified as Expatriating to Offshore Tax Havens

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POLICY OF THE CALIFORNIA STATE TREASURER'S OFFICE

(Effective July 25, 2002)

In another troubling example of the current breakdown in U.S. corporate responsibility, publicly-held U.S. corporations are relocating, on paper only, to offshore tax havens such as Bermuda and the Cayman Islands. The U.S. Treasury Department has noted that "there has been a marked increase recently in the frequency, size, and profile of" these offshore relocations, also known as "expatriations." These paper relocations enable corporations to avoid payment of U.S. taxes and to skirt legal protections for investors, while still reaping the benefits of ostensibly operating as U.S. companies. A list of publicly-held U.S. corporations identified as having expatriated is attached.

In addition to evading taxes, publicly-held corporations that expatriate may avoid accountability by operating in secrecy, restricting shareholder rights, and insulating themselves from investor claims. For example, it is much more difficult for shareholders to file suits to enforce their rights in tax haven countries. U.S. corporate expatriation is part of a larger pattern of corporate deception and lack of integrity that has plagued the financial markets and jeopardized the long-term interests of investors and shareholders.

The Treasurer is concerned that this trend will continue to accelerate unless strong action is taken. This policy is designed to help stem future relocations and to address the concerns raised by U.S. corporate expatriation. The policy is consistent with the Treasurer's other recent actions designed to protect investors and taxpayers.

Investments In Publicly-Held U.S. Corporations That Expatriate

- The Treasurer oversees the investment of the California Pooled Money Investment Account (PMIA) – which is comprised of over $45 billion in funds of the State government and over 3,000 local jurisdictions. Over $10 billion of those funds are currently invested in corporate securities. California law provides that PMIA investments must be in companies organized and operating in the U.S. The Treasurer has determined that companies that are organized and operating in the U.S. at the time they were approved for PMIA investment, but that have since expatriated, will no longer be eligible for investment. Accordingly, the Treasurer has deleted, effective immediately, Ingersoll-Rand Company from the approved PMIA investment list and will delete any other publicly-held corporations that expatriate.

- The Treasurer will request that CalPERS and CalSTRS eliminate from their portfolios all public equity and fixed income holdings in publicly-held U.S. corporations that have expatriated or do so in the future. In addition, the Treasurer will recommend that CalPERS and CalSTRS adopt policies to cast their shareholder votes against any such expatriations by corporations in which they hold stock or other securities.

Contracts or Other Business With Publicly-Held U.S. Corporations That Expatriate

- Effective immediately, the State Treasurer's Office will not contract or otherwise do business – absent a compelling public interest – with publicly-held U.S. corporations that have expatriated or do so in the future. This policy will, subject to the requisite ratification, also apply to all boards, commissions, and authorities that the Treasurer chairs. The Treasurer will urge CalPERS and CalSTRS to adopt the same policy.

  This policy is designed to ensure that companies with which the State Treasurer's Office does business meet threshold standards of corporate accountability. In this respect, this policy is similar to the recently-adopted Investment Protection Principles, which set standards for investment banks doing business with the State Treasurer's Office.

- If, by December 31, 2002, the federal government does not pass legislation that protects shareholders and those who do business with corporations that expatriate, the Treasurer will seek to introduce California State legislation prohibiting the State of California from contracting or doing business with publicly-held U.S. corporations that have expatriated or do so in the future.

Concurrent with the adoption of this policy, Congress is considering actions to address the issues raised by expatriation of publicly-held U.S. corporations. This policy will be reevaluated in light of any federal actions that may be taken to resolve the issues raised by such expatriations.

FACT SHEET

CalPERS/CalSTRS CORPORATE EXPATRIATE INVESTMENT DATA
Holdings as of June 30, 2002

CalPERS:	Equity	$287,346,915
	Fixed Income	$ 63,921,316
	Total:	**$351,268,231**
CalSTRS:	Equity	$ 94,655,643
	Fixed Income	$306,664,228
	Total:	$401,319,871

PROJECTED U.S. REVENUE LOSSES FROM CORPORATE EXPATRIATIONS

Five-Year Loss (2002-07)	$ 628 million
Ten-Year Loss (2002-12)	$2.128 billion

Source: Joint Committee on Taxation (June 13, 2002). Includes prediction of future expatriations based on known data.

Examples:

- Stanley Works – annual tax rate is expected to be reduced from approximately 32% to a range of 23% to 25% (Proxy Voter Services analysis, April 29, 2002). Translates to approximately $30 million annual loss to the Federal Treasury (Wall Street Journal editorial, May 16, 2002).

- Ingersoll Rand – Company's expectations will create losses to the Federal Treasury of approximately $40 million annually (Ingersoll Rand Proxy Statement, April 5, 2002).

SAMPLE LIST OF SHAREHOLDER RIGHTS THAT MAY BE LOST WHEN CORPORATIONS EXPATRIATE TO BERMUDA*

- Shareholders may not be able to enforce civil liability provisions of the U.S. federal or state securities laws against the corporation.
- Shareholders may have more difficulty protecting their interests than would shareholders of a corporation incorporated in the U.S.
- The duties of directors and officers of a company are generally owed to the company only (and not to the shareholders).
- Shareholders do not generally have rights to take action against directors or officers of the company, and only do so in limited circumstances.
- Class actions and derivative actions are generally not available to shareholders.

*Source: Accenture Ltd.'s SEC 424B4 filing, July 19, 2001.