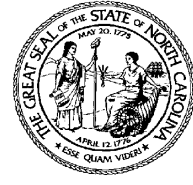




**Comptroller of the
State of New York**



**Treasurer of the
State of California**



**Treasurer of the
State of North Carolina**

**MEDIA ADVISORY
September 24, 2003**

**Contact: Mitchel Benson
(916) 653-4052**

**ANGELIDES, HEVESI, MOORE, OTHER TREASURERS AND PENSION FUND LEADERS
CALL ON U.S. SECURITIES AND EXCHANGE COMMISSION TO LEAD ‘THOROUGH,
INDEPENDENT’ REVIEW OF NYSE OPERATIONS AND GOVERNANCE**

Coalition representing more than \$586 billion in assets says ‘there is much work to be done’ in coming months ‘to restore credibility and moral authority’ of the NYSE

NEW YORK, NY – California State Treasurer Phil Angelides, New York State Comptroller Alan Hevesi, North Carolina Treasurer Richard Moore, and a coalition of state treasurers and pension fund leaders representing assets of more than \$586 billion, called on the U.S. Securities and Exchange Commission (SEC) today to take the lead in a “thorough, independent” review of the New York Stock Exchange’s (NYSE) operations and governance.

Angelides, Hevesi, Moore and the others made the request in a letter to SEC Chairman William Donaldson, and in a meeting here that they had requested last week with members of the NYSE Board of Directors. At today’s meeting, the 10 city and state chief investment officers and pension fund leaders, representing seven states, also presented the NYSE Board members with a three-page outline of steps that the coalition says must be taken to improve corporate governance at the NYSE. The coalition was spurred to action by the recent revelations about former NYSE Chairman and CEO Richard Grasso’s \$187.5 million deferred compensation package, the same revelations that led Angelides, Hevesi and Moore – along with other pension fund leaders – to call for Grasso’s resignation, which the NYSE board accepted on September 17.

The coalition’s three-page report, “Restoring the Public’s Trust in the New York Stock Exchange,” says that the NYSE – in addition to submitting to a “thorough, independent” examination and audit of its operations and governance – also must “embrace comprehensive and fundamental reforms to restore its credibility.” Among other things, the coalition says the NYSE must serve the investing public; fulfill its regulatory mission without conflicts or hindrance; and must set and adhere to the highest standards of governance.

The coalition, led by Angelides, Hevesi and Moore, also included: Oregon Treasurer Randall Edwards; Jack Ehnes, CEO, California State Teachers’ Retirement System; Iowa State Treasurer Michael Fitzgerald; Sean Harrigan, President of the Board of Administration, California Public Employees’ Retirement System; Kentucky Treasurer Jonathan Miller; Connecticut Treasurer Denise Nappier; and New York City Comptroller William C. Thompson, Jr.

The coalition released the letter to SEC Chairman Donaldson and the three-page report at a news conference in lower Manhattan, following the meeting with the NYSE board members. Please find attached copies of the two documents.

Note: A recorded replay of today's press conference is available to reporters from 1pm to 5pm EDT (10am to 2pm PDT) today.

- Call-In Number: 866-266-3697
- Conferee Code: 951936#



*Comptroller of the
State of New York*



*Treasurer of the
State of California*



*Treasurer of the
State of North Carolina*

September 24, 2003

Mr. William Donaldson, Chairman
U.S. Securities and Exchange Commission
450 5th Street, N.W.
Washington, DC 20549

Dear Chairman Donaldson:

We are writing to you as our states' respective chief investment officers and as fiduciaries of some of the largest pension funds in the nation – with combined assets of over \$586 billion in state and taxpayer funds. We thank you for the leadership you have shown concerning governance issues at the New York Stock Exchange (NYSE) and for addressing the difficult matter of the compensation package received by the NYSE's former Chairman and Chief Executive Officer, Richard Grasso.

Clearly, there is much work to be done in the coming months to restore the credibility and moral authority of the NYSE. We believe that the NYSE must fully commit itself to quickly putting this matter behind it, so it can undertake the fundamental reforms that will help ensure the integrity of our financial markets and our nation's continued economic progress. In that vein, we are meeting with members of the NYSE Board today and presenting a proposal that would require a thorough, independent examination of the NYSE's operations and governance, including a complete review and audit of all the circumstances that led to Mr. Grasso's exorbitant pay package. In addition, we are urging the NYSE to embrace comprehensive reforms that will enable the Exchange to play its rightful leadership role in our financial markets. We enclose a copy of this proposal for your review.

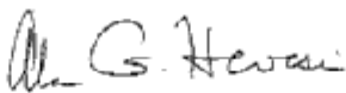
As described in the proposal, we believe that the United States Securities and Exchange Commission (SEC) should take a lead role by acting immediately to put in place this independent review. As the SEC Chairman, you have a singular opportunity and responsibility to ensure, at this critical time, that the NYSE moves forward quickly to regain the public trust in the Exchange.

Chairman Donaldson
September 24, 2003
Page 2

We hope that you will consider our recommendations and act on them as soon as possible. We stand ready to work with you in achieving the results necessary for the NYSE to restore the confidence and trust of the millions of Americans who invest with the Exchange and rely on it to be an open, fair, and transparent marketplace.

Thank you for your leadership.

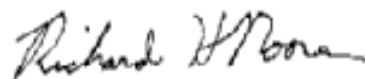
Sincerely,



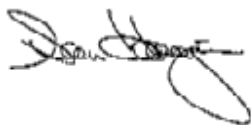
Alan Hevesi
Comptroller
State of New York



Phil Angelides
Treasurer
State of California



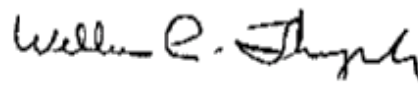
Richard H. Moore
Treasurer
State of North Carolina



Sean Harrigan
President
Board of Administration
California Public Employees'
Retirement System



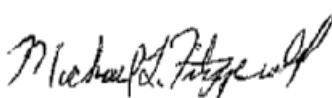
Jack Ehnes
Chief Executive Officer
California State Teachers'
Retirement System



William C. Thompson, Jr.
Comptroller
New York City



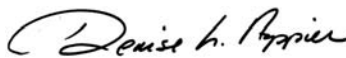
Randall Edwards
Treasurer
State of Oregon



Michael Fitzgerald
Treasurer
State of Iowa



Jonathan Miller
Treasurer
State of Kentucky



Denise Nappier
Treasurer
State of Connecticut

Enclosure

cc: U.S. Securities and Exchange Commission, Commissioners
John Reed, Interim Chairman, New York Stock Exchange
New York Stock Exchange, Board Members

RESTORING THE PUBLIC'S TRUST IN THE NEW YORK STOCK EXCHANGE

September 24, 2003

This is a pivotal moment for the New York Stock Exchange (NYSE), the investing public, and our nation's financial institutions. Much is at stake as America's financial markets struggle to recover from the effects of the worst wave of corporate scandals since the market manipulations of the late 1920s. Unfortunately, during this critical timeframe, the NYSE has not fulfilled its central mission to protect investors and the marketplace. Further, the disclosures that led to the resignation of Richard Grasso as the NYSE's Chairman and Chief Executive Officer have revealed that some of the problems that precipitated the market crisis of the past two years are reflected in the conduct of the NYSE itself. It is clear that there is a need for fundamental, urgent, and sweeping reforms at the NYSE, to restore the faith and confidence of investors.

The resignation of Mr. Grasso, accepted by the NYSE Board of Directors on September 17, 2003, was a necessary first step in addressing the challenges facing the NYSE. The Board must now bring the saga of Mr. Grasso's resignation to an appropriate conclusion by doing all it can to ensure that Mr. Grasso's final compensation package is, in the end, rational and appropriate, and that the final details of all compensation ultimately received are made fully transparent.

As its next order of business, the NYSE and its Board must take immediate and decisive action to restore the Exchange's credibility and moral authority. Only by such action will it regain the trust and confidence of the millions of Americans who trade on the Exchange and rely upon it to serve the investing public in a manner that is fair, open, and transparent. Fundamental reforms must affirm the notion that the NYSE is not a private club established to protect and act only in the interests of its members, but rather an important American institution operated in the interests of investors, the financial marketplace, and the economy.

There is no doubt that the credibility of the NYSE – and of the Board itself – has been damaged. Merely tinkering with the rules that govern the NYSE will not be enough. Nor will simplistic or piecemeal solutions suffice to meet the challenges ahead. Indeed, given the recent harm to the reputation and credibility of the NYSE and its Board, it will be difficult – if not impossible – for the NYSE to regain the public's trust on its own. In this vein, we urge the following actions to ensure that the NYSE is able to resume its preeminent role as a leader in our financial markets, and can be held out to the world as a model of corporate governance.

THOROUGH, INDEPENDENT EXAMINATION OF THE NYSE'S OPERATIONS AND GOVERNANCE

Today, we – fiduciaries of some of the nation's largest public pension funds – call for a thorough, independent examination and audit of the NYSE's operations and governance, including an investigation of all the circumstances that led to Mr. Grasso's compensation package. This review should also include an assessment of responsibility and accountability for any problems or improprieties that are identified, as well as an audit of all compensation packages for NYSE high-level executives. It must also include an exhaustive review of all operations and governance issues that may inhibit the NYSE and its Board from properly fulfilling their mission to serve the investing public.

The United States Securities and Exchange Commission (SEC) should act immediately to put in place this independent review. If the SEC does not act promptly, the NYSE should do so on its own, by selecting a credible, independent person to head the review, and by granting him or her sufficient resources to conduct the examination, and full access to all the NYSE's books, records, and other pertinent information.

NYSE MUST EMBRACE COMPREHENSIVE REFORMS

The NYSE must embrace comprehensive and fundamental reforms to restore its credibility, to regain the public trust in the Exchange as a rightful leader in our financial markets, and to improve its market efficiency for the investing public. These reforms must, at a minimum, ensure that the NYSE will be able to meet the following objectives, which are essential to restoring the public's trust and confidence in the Exchange:

- **The NYSE Must Serve the Investing Public.** Any reforms must ensure that the NYSE serves the interests of what it describes as its "ultimate constituency," the investing public. Reforms should include fundamental restructuring of the Board by replacing existing Board members with increased investor representation, and substantially reducing the number of Board members from the current 27.
- **The NYSE Must Fulfill its Regulatory Mission without Conflicts or Hindrance.** Any reforms must be designed to enable the NYSE to fulfill its role as protector of the integrity of the marketplace – which is fundamental to America's free enterprise system and continued economic progress. Reforms should include separation of the regulatory function from other business functions, as well as elimination of all conflicts of interest that inhibit the NYSE and its Board members from fully pursuing instances of fraud, abuse, and malfeasance.

- **The NYSE Must Set and Adhere to the Highest Standards of Governance, including Transparency.** The NYSE must set the highest standards of accountability and transparency for the companies it regulates – both broker-dealers and listed companies. Equally important, the NYSE itself must meet or exceed the very standards it sets for others. These standards must include, among other things:
 - Full transparency of executive compensation and all financial statements;
 - True independence of key committees, such as nomination, compensation, and audit committees; and
 - Other reforms such as separation between the roles of directors and management.

- **Efficient Market Structure.** The market system that the NYSE oversees must operate with optimal efficiency, for the benefit of investors and the economy. To this end, any reforms should incorporate successful models from other exchanges throughout the world.
