Actions taken to date by California Treasurer Phil Angelides to use the "power of the purse" to restore integrity to our financial markets…

July 1, 2002 — **Investment Protection Principles.** Treasurer Angelides joined New York Attorney General Eliot Spitzer, North Carolina Treasurer Richard Moore and former New York Comptroller Carl McCall in adopting a set of Investment Protection Principles, which require investment banks and money managers to meet new standards of disclosure and eliminate their conflicts of interest or risk losing the right to do business with their states. At the Treasurer's urging, these principles were also adopted by the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS).

July 25, 2002 — **Corporate Expatriation.** The Treasurer prohibited investments in, and business dealings with, expatriate U.S. corporations that relocate offshore – in name only – to avoid taxes and weaken legal protections for shareholders.

August 12, 2002 — **Investor Summit.** Treasurer Angelides co-convened an Investor Summit of public financial leaders from 14 states, responsible for the investment of more than $1 trillion in assets, to develop an agenda for common action. At the meeting, the group vowed to work collectively to expand the drive for corporate accountability.

October 2, 2002 — **Mutual Fund Proxy Voting.** At the Treasurer's urging, CalSTRS voted to make its proxy policies and votes public on its web site; urged its money managers to disclose their proxy policies and votes; and urged the Securities and Exchange Commission (SEC) to adopt strong regulations requiring disclosure of proxy votes by mutual funds. Also at his urging, in November, CalPERS took similar action with regard to its money managers and the SEC.

October 24, 2002 — **Enforcement of Investment Protection Principles.** The Treasurer's Office completed its initial review of investment bank compliance with the Investment Protection Principles; notified 22 banks that their level of compliance was unacceptable; and set a January 15, 2003 deadline for full compliance. One firm, HSBC, was notified of the Treasurer's intent to suspend them for noncompliance with the Principles, making it ineligible to do business with the State's $50 billion investment pool. HSBC responded by agreeing to fully comply with the principles.

November 18, 2002 — **Shareholder Resolutions to Corporate Expatriates.** CalPERS, at the request of Treasurer Angelides, launched a drive against the deceptive practice of corporate expatriation, voting to spearhead shareholder resolutions at McDermott International, Tyco International and Ingersoll-Rand urging them to repatriate. In December, CalSTRS took similar action with respect to Tyco and Ingersoll-Rand.

December 5, 2002 — **Removal of expatriate corporations from S&P 500 Index.** The Treasurer initiated a national effort by major institutional investors to urge Standard & Poor's to remove offshore companies, including six corporate expatriates, from the S&P 500 Index, which S&P describes as the "premier index for large cap U.S. stocks." Nine state finance officials and leading national labor officials joined this effort.

March 6, 2003 — **Office of Pension Protection and Market Reform.** Treasurer Angelides proposed the creation of a new California Office of Pension Protection and Market Reform – a joint operation of CalPERS and CalSTRS, the nation's first and third largest public pension funds. The office would strengthen California's clout in advancing an agenda of corporate reform. It also would protect state pension fund members and their assets by seeking redress and restitution for harm done and losses caused by corporate malfeasance; deterring future misconduct; and pursuing the corporate and financial market reforms necessary to restore integrity to the market place.

March 6, 2003 **"Come Home To America" Campaign.** Treasurer Angelides, public pension funds, state and local finance officials, and labor unions joined together to score significant victories in the fight against corporate expatriation. As a result of the "Come Home to America Campaign," more than 26 percent of Tyco International Shareholders voted, on March 6, 2003, to leave Bermuda and bring Tyco back to the United States; on March 25, 2003, McDermott International agreed to work toward reincorporating from Panama back to the U.S.; and on March 30, 2003, a stunning 41.4 percent of Ingersoll-Rand shareholders voted to reincorporate in the U.S.

March 26, 2003 **State Legislation to Curb Expatriation.** Treasurer Angelides sponsored legislation to ban state contracts with expatriate corporations and to close state tax loopholes that benefit those companies. Senate Bill 640, introduced by Senator John Burton, was enacted into law, prohibiting State agencies from contracting with publicly held U.S. corporations that have expatriated. Another measure, Senate Bill 1067, authored by Senator Jackie Speier, would close tax loopholes that allow expatriates to annually avoid an estimated $10 million in California taxes.

April 17, 2003 **New Standards for Executive Compensation.** Treasurer Angelides proposed new standards for equity compensation plans – including stock options – for the 1,000 largest companies in which the State's two large public pension plans invest their money. Under Angelides' proposal, CalPERS and CalSTRS would vote to support equity compensation plans if the plans award 5 percent or less of the total compensation to the top five executives of the company. In addition, the plans must provide vesting schedules of four years or longer. On June 16, 2003, these standards were adopted at CalPERS. On July 9, 2003, CalSTRS adopted the "5 percent" standard and agreed to encourage minimum vesting periods of five years.

May 8, 2003 **Tough New Requirements Applied to Investment Banks.** Acting in the wake of the landmark settlement of enforcement actions against 10 large investment banks, Treasurer Angelides imposed tough new requirements on all investment banks that want to do business with the State. The action made California the first state in the nation to apply and expand the tough new reforms of the Wall Street settlement to each of the 69 firms eligible to handle issuance of State bonds and the 57 broker/dealer firms that do business with the State's investment fund. These tougher new standards replaced the Investment Protection Principles adopted in July 2002. CalSTRS adopted the new standards on July 9, 2003, and CalPERS adopted them on August 18, 2003.

June 30, 2003 **SEC Scores "Incomplete" on Progress Report.** Joining six other state treasurers, Treasurer Angelides issued a progress report on the SEC's corporate reform efforts and called upon SEC Chairman William Donaldson to move quickly to complete action on those reforms crucial to the protection of shareholders before the start of the upcoming proxy season.

September 16, 2003 **Call for Reform at the New York Stock Exchange (NYSE).** Treasurer Angelides was the first state financial officer to call for NYSE Chairman Richard Grasso to resign following disclosure of Grasso's $188 million compensation package. Grasso resigned on the following day, September 17. On September 24, Treasurer Angelides and financial officers from six other states – entrusted with overseeing combined assets of over $568 billion in state and taxpayer funds – called for a thorough, independent examination of the NYSE's operations and governance in order to begin the process of restoring the public's trust and confidence in the Exchange. On October 14, 2003, interim NYSE Chairman John Reed – at a meeting with Angelides and other state treasurers and public pension fund leaders – confirmed that he had launched an independent probe of the Exchange and that it would be completed within two months.

October 2, 2003 **SEC's Proposed Proxy Access Rules.** Treasurer Angelides joined an 11-member group of state and local pension officials in opposing proposed SEC rules containing severe limitations to shareholder proxy access. The officials, representing assets of more than $640 billion, called for new rules that strengthen shareholder rights to fair corporate elections.