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Spaulding Backs Series of Corporate Governance Reforms

Montpelier – State Treasurer Jeb Spaulding has announced support for a number of specific corporate governance reforms recently endorsed by the National Association of State Treasurers.

According to Spaulding, “The fact that the bi-partisan National Association of State Treasurers unanimously voted to support some pretty aggressive measures to address perceived corporate misbehavior speaks both to the depth of investor concern and the belief that, as a group, we can influence adoption of appropriate responses.”

Spaulding pointed out that institutional investors, such as state and local government pension programs, now own 60% of all the equity in U.S. corporations and, thus, have the greatest exposure to the risks of poor corporate practices.

“Although Sarbanes-Oxley and other regulatory changes that have occurred since the corporate scandals involving Enron and WorldCom will make a difference, having the shareholder owners of corporations weighing in may well do more to convince offending corporate executives and board members to clean up their act,” said Spaulding.

A sample of the reforms supported by Spaulding and the other treasurers include the reporting of stock options as an expense in the same year that they are granted, the elimination of Government financial incentives allowing American corporations to re-incorporate overseas, and creating a practical process for shareholders to be able to nominate members to boards of directors.

“I feel very strongly that stock options for corporate executives should be expensed as they are granted. They are a real cost to shareholders and investors should have them accurately reflected in a company’s bottom line,” Spaulding stated.

Spaulding explained that his concern about American corporations re-incorporating overseas stems from the fact that shareholder protections may be diminished in the process since the corporations often are no longer subject to U.S. laws on shareholder rights.

According to Spaulding, “the election of directors is the most effective avenue that shareholders have to influence the direction of a corporation. However, using this influence is often just a dream, since the nomination process is controlled by the board itself. If we have learned anything from continuing corporate scandals, we should now realize the importance of independent, active and accountable boards of directors.”

Treasurer Spaulding recently sent a letter to the Chair of the U.S. Securities and Exchange Commission urging that body to adopt a rule enabling proxy access for the election of corporate directors that is fair and not subject to abuse, but also which enables shareholders to place board nominees on the proxy ballot without unreasonable barriers.

For the full text of the resolutions adopted by the National Association of State Treasurers, please see the Vermont State Treasurer’s Web site at <http://www.vermonttreasurer.gov>

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