STATE OF CONNECTICUT

NEWS RELEASE

Attorney General Richard Blumenthal
State Treasurer Denise L. Nappier

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ATTORNEY GENERAL, TREASURER URGE SEC TO CONDUCT FULL INVESTIGATION OF STANLEY WORKS REINCORPORATION ACTIVITIES, STATE ACTION BEING CONSIDERED

Attorney General Richard Blumenthal and State Treasurer Denise L. Nappier are urging the Securities and Exchange Commission (SEC) to fully investigate the new proxy documents filed by The Stanley Works in preparation for a second shareholder vote on reincorporation, along with the circumstances surrounding the original vote that took place May 9, 2002, and to block any shareholder vote until the inquiry is complete.

"In light of the serious misrepresentations made by Stanley in connection with an attempted shareholder vote on May 9, 2002, a series of actions by Stanley that impaired the ability of shareholders to vote, and continuing inaccuracies in Stanley's proxy statements, we request that the Commission immediately undertake a comprehensive investigation and delay any further shareholder vote until such investigation is completed," the letter to SEC Chairman Harvey L. Pitt states.

"Although we stand ready to cooperate in any way possible with the Commission, we are presently evaluating state court actions to address these issues."

On May 10th, Blumenthal and State Treasurer Denise L. Nappier successfully sued to prevent the overseas move based on the May 9th vote, which was "rife with voting irregularities" according to Blumenthal. The company is planning a new shareholder vote on the reincorporation plan, and although proxy documents have been filed with the SEC, a date for the vote has not been set.

The letter also points out that in the revised proxy statement, Stanley Works admits that shareholders' rights might be compromised if reincorporation occurs, although the document includes conflicting and confusing statements on the issue.

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"For the first time … Stanley concedes that 'because of differences in Bermuda law and Connecticut law and differences governing documents of Stanley Bermuda and Stanley Connecticut, your rights as shareholders may be adversely changed if the reorganization is completed'," the letter states. "Yet earlier in the same document, Stanley states that 'despite the differences, the corporate legal system [in Bermuda], based on English law, is such that your rights as a Stanley Bermuda shareholder will be, in our view, substantially unchanged from your rights as a shareholder in Stanley Connecticut.'

"There is no discussion of what kinds of judgments obtained in a United States court would be unenforceable in Bermuda based on notions of Bermuda public policy or natural justice," Blumenthal and Nappier wrote. "Although Stanley acknowledges a lack of treaty between Bermuda and the United States providing for reciprocal enforcement of judgments… Because Bermuda law is so opaque and inaccessible, this limited disclosure places the shareholder in an exceedingly difficult position."

The initial shareholders' vote came after Stanley provided misleading and confusing information to 401(k) shareholders that "directly affected the vote," Blumenthal said. Two letters were sent to shareholders. The first letter, dated April 4, 2002, told 401(k) shareholders that if they chose not to vote at the meeting, their votes would be counted as a "no" vote. A second, undated letter sent to 401(k) shareholders said that if they chose not to vote, those votes would be cast by the plan administrator consistent with what the plan provided. Finally, the Proxy Statement filed by Stanley with the Commission stated unequivocally in several places that the failure to vote by proxy "will have the same effect as voting against the approval of the merger agreement." The statement made no distinction in this regard for shares held by 401(k) participants.

"The Proxy Statement, the April 4, 2002 letter, and the second, undated letter were highly misleading and deceptive, resulting in substantial confusion among 401(k) participants as to how their failure to return their ballot would be treated," Nappier and Blumenthal said in the letter. "It appears that a substantial number of 401(k) participants did not vote on the proposal to reincorporate in Bermuda because they believed their failure to vote would be treated as a no vote. If they had not been misled in this fashion, it is likely that a substantial number of 401(k) participants would have voted against the proposal to reincorporate."

"Because of the narrow margin by which the proposal to reincorporate passed, there is a reasonable likelihood that the proposal to reincorporate would not have received the two-thirds vote necessary for approval if the shareholders had not been misled," the letter continues. "Accordingly, the May 9, 2002 vote purporting to approve the proposal in our view is invalid.

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“Hence we reiterate our request for an investigation and a delay of any shareholder vote until the investigation is complete.”

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