STATE OF CONNECTICUT
NEWS
State Treasurer Denise L. Nappier
Attorney General Richard Blumenthal

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NAPPIER, BLUMENTHAL ANNOUNCE $457 MILLION SETTLEMENT OF SECURITIES CLASS ACTION SUIT; SETTLEMENT IS 3rd LARGEST IN U.S. HISTORY

Key Corporate Governance Reforms Included in Agreement; Legal Fees Limited

(Hartford) -- Connecticut Treasurer Denise L. Nappier and Attorney General Richard Blumenthal today announced a $457 million settlement in a securities fraud case, the third largest securities class action settlement in United States history.

The Connecticut Treasury is lead plaintiff in the class action suit against Houston-based Waste Management, Inc. The Fortune 500 company provides waste management services to approximately 25 million residential and two million commercial customers nationwide and serves municipal, commercial, industrial and residential customers throughout North America.

The company allegedly failed to properly disclose to investors serious problems related to the merger between U.S.A. Waste Services and the old Waste Management Inc. in 1998 and certain company officials allegedly engaged in insider trading during 1999. The company subsequently replaced top management and has been working to eliminate problems that necessitated the class action.

The settlement was reached during face-to-face negotiations between Nappier, Blumenthal and Waste Management Chairman and CEO Maurice Myers, after a renewal of settlement talks this fall following the Court's denial in August of key elements of Waste Management's motion to dismiss the securities fraud claims.

"Our lead role was driven by three factors," Nappier said. "First, an in-depth analysis of the merits of our claims and the loss sustained by our pension fund and our fellow investors. Second, our recognition that an institutional investor can take a lead role in this type of case under the law, and strongly influence the outcome, the costs, and the time it takes to reach a successful conclusion. And third, the opportunity to negotiate corporate governance reforms that would contribute to the long-term economic performance of the company."

"Our hard fought, face to face negotiations have produced a huge, historic victory for investors wronged by stock fraud and insider trading. Ordinary investors suffered extraordinary losses because former top company officials concealed facts and profited from personal trading based on the information that they hid," said Blumenthal. "Connecticut led the fight to recover money -- not only for its own benefit, but for millions of other shareholders who joined in this class action. This stunning success sends a powerful message: stock fraud must be stopped and investors compensated no matter how large or small."

The settlement, which must be approved by the U.S. District Court for the Southern District of Texas, also included a series of reforms in the company's corporate governance policies advocated by Nappier in accordance with the Treasury's proxy voting guidelines.

As a result of the settlement, shareholders who purchased or sold shares of Waste Management between June 11, 1998 and November 9, 1999 may file a claim for damages. As of March 2001, there were 623 million shares of Waste Management stock issued and outstanding, with shareholders in all 50 states. A specific allocation plan is being developed to determine the precise awards to shareholders, taking into account a number of factors including when the stock was purchased.

As of October 12, 2001, the $20 billion Connecticut state pension fund (Connecticut Retirement Plans and Trust Funds) owned 455,862 shares of Waste Management stock, with a value of $12.4 million.

COMPANY WILL CHANGE CORPORATE GOVERNANCE POLICIES

In addition to the monetary benefits for shareholders, Waste Management has agreed to institute important changes in its corporate governance structure, including greater independence for the Company's audit committee and enhanced accountability for shareholders with respect to corporate management. Members of the audit committee will now be required to be five years removed from employment with the company, rather than the current three years. The company also agreed to recommend to shareholders that their entire Board of Directors be elected annually, replacing the current system of staggered terms, with one-third of the board being elected each year.

Nappier said "the reforms offer shareholders a stronger voice, greater independence and more accountability – all in the long-term financial best interest of the company and its shareholders."

As part of corporate governance and proxy voting policies developed by Nappier last year, the Connecticut Treasury has been meeting with numerous companies in which the state pension fund owns stock advocating corporate governance reforms, and has had some success in achieving those reforms.

LOWER ATTORNEY'S FEES NEGOTIATED

Both Blumenthal and Nappier said the method by which the case was pursued and settlement achieved is a model for similar securities litigation. The state leaders noted that settlement was achieved only 17 months after the Connecticut Treasury was appointed Lead Plaintiff by the court, far sooner than the typical four-to-five year average in similar cases.

The Connecticut officials negotiated attorney's fees for the case that are far below the industry norm for comparable securities class actions. The counsel, Goodkind, Labaton Rudoff & Sucharow LLP of New York City, will receive a fee of substantially less than 10% of the settlement fund. Traditionally, securities class action suits are litigated by law firms that receive fees often ranging between 25% and 30%.

"Negotiating reasonable attorneys fees means that shareholders – whether it is pension funds or individual shareholders – will receive a larger percentage of the ultimate settlement. And in this case, that will mean nearly $100 million more for investors," Nappier said.

CONNECTICUT LEADER IN SECURITIES LITIGATION

Nappier and Blumenthal sought lead plaintiff status in 2000, and it was granted by the Court on May 8, 2000. Nappier has stressed the important role that institutional investors can play in the securities litigation arena. The Connecticut Treasury is also currently serving as co-lead plaintiff in a securities fraud case against Campbell Soup Co.

"This third-largest securities fraud settlement was about more than money. It compels far-reaching reforms in governing the corporation and makes management more accountable," Blumenthal said. "It also raises the bar for standards of management and gives shareholders a stronger say in corporate decisions."

Earlier this year, the Court had approved an agreement between the parties that permitted the plaintiff to review hundreds of thousands of documents and related material provided by Waste Management as part of the litigation. The original shareholder actions against Waste Management were filed on July 6, 1999. On August 23, 1999, the Court consolidated all cases into the class actions.

"The bottom line of this settlement is clear, we achieved more money in less time at a lower cost than in any previous class action case in U.S. history," Nappier said.

OFFICIALS URGE INVESTORS TO FILE FOR SHARE OF SETTLEMENT

After the agreement is approved by the Court, a toll-free telephone number will be set up for shareholders to obtain more detailed information and an effort will be made to notify all eligible shareholders by mail. In addition, advertisements notifying shareholders of the settlement and their eligibility will be placed in the largest circulation newspaper in each of the 50 states.

Nappier and Blumenthal urged eligible investors to file claims after the Court approval, noting that previous class action suits have seen only between one-third and one-half of eligible shareholders seeking their share of the settlement. They emphasized that public and private pension funds, individual shareholders, and individuals invested in mutual funds which bought or sold Waste Management shares between June 11, 1998 and November 9, 1999 may be eligible for a share of the settlement.

Blumenthal and Nappier commended their staff, including Treasury General Counsel Catherine E. LaMarr and Associate Attorney General Joseph Rubin, as well as the law firm of Goodkind Labataon Rudoff & Sucharow for their work on the case.

"Our offices worked very closely together on this litigation, bringing good results for the Connecticut pension fund and every investor involved in this case," Nappier said.

Waste Management Inc.'s operations include landfill disposal sites, waste-to-energy plants, landfill gas-to-energy facilities, recycling plants, transfer stations and refuse collection facilities.

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