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DENISE L. NAPIER

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Nappier Says Strong Support of Resolution at Sun Microsystems Reflects Shareholder Disillusionment with Executives Pay

Unprecedented 44% Support for First-time Resolution Calling for Advisory Vote

An unprecedented 44% of Sun Microsystems shareholders supported a resolution co-sponsored by the Connecticut Retirement Plans and Trust Funds today that called on the company's Board of Directors to adopt a procedure for an annual advisory vote of shareholders regarding the company's compensation of top executives.

It's the highest support ever attained by a shareholder resolution seeking an advisory vote on executive pay, and an unusually high level of support for a first-year shareholder resolution. The resolution was opposed by company management.

"Excessive executive compensation remains the number one concern of investors, and it would behoove Sun Microsystems to respond accordingly," said Connecticut Treasurer Denise L. Nappier, principal fiduciary of the \$23 billion state pension fund. "Our hope is that this company, and others, will react by better aligning executive pay with company performance and providing shareholders with a meaningful voice. If astronomical pay packages are brought back to Earth, there'd be no reason to dread a vote of shareholders."

There have been shareholder resolutions at several U.S. companies in recent months seeking similar advisory votes. Nappier noted that initial support for the advisory vote resolutions has significantly exceeded most first-year resolutions, and that support has been steadily increasing.

"This plan is not revolutionary - it is reasonable and responsible. It is a time-tested practice in Great Britain, and the appetite for bringing it to the U.S. has been fueled by the seemingly endless series of CEO pay scandals and seemingly out-of-control pay increases that often bear no resemblance to company performance," Nappier added. "To achieve this level of support with a first-year resolution speaks volumes about shareholders' discontent."

The resolution, which was co-filed by the Connecticut Retirement Plans and Trust Funds and the American Federation of State, County Municipal Employees Pension Fund, would have created a procedure that would allow shareholders to vote, on a non-binding basis, on the

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pay packages recommended for top corporate executives as part of the Board's Leadership Development and Compensation Committee Report. The advisory vote would have been part of the annual proxy ballot.

In May, a similar resolution at Home Depot received the support of 40% of shareholders; proposals at Countrywide Financial in June and Sara Lee in October were supported by 43% of shareholders. It is anticipated that similar resolutions will be filed at other companies during the 2007 proxy season, which begins in earnest in February, 2007.

Providing shareholders with a clear voice on pay issues could help reduce excessive compensation, as well as the public and shareholder discontent of executive pay practices, according to the resolution, which suggested that "senior executive compensation at Sun has been excessive in recent years."

In 2005, Chairman and then-CEO Scott McNealy received \$1.2 million in salary and bonus and 1.25 million options, and exercised 4.8 million stock options for \$11.8 million in value realized. At the same time, Sun was included on the 2005 Focus List of Underperforming Companies by the Council of Institutional Investors. In 2003, 2004 and 2005, McNealy received 3.75 million in options with potential future value of \$8.9 million or \$22.6 million, depending upon the future return assumption.