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Attorney General Announces \$73 Million Settlement of Tyco Fraud Suit

Lawsuit Alleged Securities Fraud for N.J. Pension Fund Losses

TRENTON -- Attorney General Anne Milgram announced today that Tyco International Ltd. will pay a total of \$73.25 million as part of a settlement agreement that resolves allegations of securities fraud brought by the State in a lawsuit against the company and several of its executives and directors.

Finalized today, the agreement calls for payment of the settlement funds by Tyco and certain other defendants to New Jersey's Division of Investment, located within the Department of Treasury. The settlement resolves allegations brought in a 2002 civil suit that New Jersey's pension fund portfolio suffered significant losses due to insider trading at Tyco, failure on the part of Tyco executives to disclose millions of dollars in personal loan benefits received from the company, accounting improprieties, and other fraud.

"This is an important settlement for the citizens of New Jersey, and for the State's pension investment portfolio," said Attorney General Milgram. "Our duty - and our commitment - is to be aggressive in safeguarding the financial interests of New Jersey residents, protecting the State's investments from fraud, and holding corporations accountable."

"We are gratified by the outcome of this securities litigation," said William Clark, Director of the Division of Investment. "Upon receipt, the net settlement proceeds will be returned to the pension fund and other Division-managed portfolios."

Under terms of the agreement, there is no admission of wrongdoing on the part of Tyco International or any other settling party. In addition to Tyco International, defendants who are party to the settlement agreement include former Tyco General Counsel Mark A. Belnick and Tyco directors Richard S. Bodman, John F. Fort III, James S. Pasmann, Jr. and Wendy E. Lane.

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The State's original lawsuit remains pending against former Tyco CEO L. Dennis Kozlowski, former Tyco Chief Financial Officer Mark H. Swartz, former Tyco director Frank E. Walsh, Jr., the accounting firm PricewaterhouseCoopers LLP and its Bermuda affiliate, PricewaterhouseCoopers .

Kozlowski and Swartz were both convicted in New York in 2005 on criminal charges for supporting lavish lifestyles by giving themselves unauthorized corporate bonuses, abusing loan programs and selling Tyco company stock at inflated prices after misleading investors about Tyco's finances. Both men are currently serving prison terms of at least eight years and four months.

The Tyco settlement was handled on behalf of the State by outside counsel including the law firms of Riker Danzig and Shalov Stone Bonner & Rocco. Senior Deputy Attorney General Carol Jacobson of the Division of Law acted as liaison with outside counsel on the Tyco matter.

In resolving the State's civil fraud allegations against Tyco, the settlement agreement announced today will result in release of state Business Employment Incentive Program (BEIP) grant funds to the company.

Tyco, which moved its U.S. headquarters from Exeter, N.H. to Princeton, N.J., in 2003, was approved for BEIP grant funds administered by the state Economic Development Authority in June 2003. However, the approval contained a stipulation that no funds would be issued until the State's pending lawsuit was resolved. An estimated total of \$11 million in BEIP grant funds (spanning the years 2003 through 2007) are due Tyco under the BEIP program, although the exact amount remains to be determined through a thorough review and audit process.

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