

Stanley Won't Re - Incorporate in Bermuda

By REUTERS

Filed at 11:02 a.m. ET

NEW YORK (Reuters) - Top U.S. toolmaker Stanley Works (SWK.N) said it has dropped its controversial plan to re-incorporate in Bermuda following widespread criticism of the company's plan -- which could have saved it millions of dollars in U.S. taxes.

Late Thursday, Stanley said it withdrew the proposal, announced in February, saying pending Congressional reforms would eliminate the need to move to the offshore tax haven.

The Stanley plan drew fire from lawmakers, shareholders, labor groups, and officials in Connecticut, where it has been based for 159 years. State Attorney General Richard Blumenthal has filed suit against Stanley to block the move, alleging irregularities in May's shareholder vote on the matter.

"Our court action has produced a victory for fairness in taxes and corporate accountability, which Stanley Works sought to dodge," Blumenthal told Reuters. "National attention should now shift to other companies that have exploited a Bermuda move to unfairly avoid taxes and shareholder accountability, most especially Stanley Works' competitors."

Stanley, headquartered since 1843 in New Britain -- just southwest of Connecticut's capital city, Hartford -- planned to join a growing number of U.S. firms that have registered their corporate names in Bermuda as a means of lowering its taxes. At the time it proposed the move, the maker of a range of tools said the move would save \$30 million a year in taxes.

"We were able to stop this from happening because of an alliance between institutional shareholders, workers, and the attorney general's office in Connecticut," said Steve Sleight of the International Association of Machinists and Aerospace Workers, which represents about 700 Stanley employees.

"Given the times and the fact that we were paying attention as a stakeholder, our union was acutely aware of the impact this would have on us and the community in Connecticut," Sleight said. "We were able to rally the public and shareholders against it."

A POPULAR PLACE

Shares of Stanley Works were down 94 cents, or 2.6 percent, to \$34.78 in morning trading on the New York Stock Exchange on Friday.

“We were forecasting and valuing the company with the assumption that the re-incorporation wasn't going to happen,” said Joe Sroka, an analyst at Merrill Lynch. “From an operational perspective, it makes no difference to us and, if anything, we think it's going to remove the noise from the stock.”

Other U.S. companies that have re-based to Bermuda include Stanley competitors Ingersoll-Rand Co. Ltd. (IR.N) and Cooper Industries Inc. (CBE.N), as well as Tyco International Ltd. (TYC.N), driller Nabors Industries Inc. (NBR.A), and others.

“Our ability to compete is being undermined by the U.S. tax code, which is archaic in today's global market, putting U.S. companies that compete globally in an untenable position,” Stanley Chairman and Chief Executive John Trani said in the company's statement on Thursday night.

But, recent proposals in Congress would address those inequities, Stanley said.

Sponsored by the House Ways and Means Committee Chairman Bill Thomas, a Republican from California, the pending bill proposes to stop companies from running to offshore tax havens while bringing tax laws into compliance with world trade rules. The bill would imposed a three-year moratorium on companies such as Stanley from setting up shell headquarters overseas to avoid paying U.S. taxes.

Separately, the U.S. Senate voted on Wednesday to deny lucrative defense contracts to U.S. companies that incorporated offshore in the past year.

NO CHANGE TO EARNINGS

In its release Thursday, Stanley said the decision not to re-incorporate would have no effect on previous earnings guidance. The company said when it released earnings on July 17, that its earnings view included the costs, but excluded the possible benefits of its plan to move its corporate headquarters to Bermuda.

Stanley held a shareholder vote on the issue in May, and claimed it had received the required level of support. But groups led by employees and retirees alleged irregularities in the voting process. Stanley agree to a re-vote.

In a letter to the Securities and Exchange Commission in June, Blumenthal accused Stanley Works of making “misleading statements” in a proxy sent out to shareholders for the first vote in May. Blumenthal asked the SEC to delay a second vote until an investigation was completed.