

## Compliance Procedures relating to Prospective Sudan Divestiture Legislation January 28, 2009

The first column below contains procedures the compliance team would employ if the Governor’s Sudan Legislation passes as written. The next two columns identify changes to the procedure if either House Bill passes.

Governor’s Bill	House Bill 5	House Bill 45
<b>The following procedures must be completed prior to each December 31 (steps 1-4 must start prior to September 30 to meet Dec 31 deadline):</b>		
1. <b>Annually</b> , prepare an initial list of companies that conduct or have direct investments in business operations in Sudan as defined by the legislation.	<b>Quarterly</b> , prepare/update list.	<b>Quarterly</b> , prepare/update list.
2. Send a written notice to listed companies advising they have been identified as a company that conducts or has direct investments in business operations in Sudan. The notice will offer the company 90 days to respond in writing to clarify its activities in Sudan.	Send letters only to companies in which the fund has direct holdings: - <b>Active Business operations</b> will get a letter of divestiture offering 90 days to respond. - <b>Inactive business operations</b> will get a letter requesting to refrain from active operations and be removed from list.	Send letters only to companies in which the fund has direct holdings: - <b>Active Business operations</b> will get a letter of divestiture offering 90 days to respond. - <b>Inactive business operations</b> will get a letter requesting to refrain from active operations and be removed from list.
3. If within 90 days the company demonstrates that it does not conduct or have direct investments in business operations in Sudan*, the company will <u>not</u> be added to the “Prohibited Investments” list. Otherwise, it will be added to the “Prohibited Investments” list.  *The company will have to provide evidence to support their claims.		
4. Compile the official “Prohibited Investments” list based on information obtained in steps 1-3.		

<p><b>The following procedures must be completed prior to each January 31:</b></p>		
<p>5. Identify companies on the Prohibited Investments list in which the fund has direct investments. Funds excluded from this step are: 1) commingled investments or other business structure in which the fund is not the sole owner of the investment interest and 2) index funds.</p>	<p>Does not exclude Passive commingled and wholly owned Index funds from this step.</p>	<p>Does not exclude Passive commingled and wholly owned Index funds from this step.</p>
<p>6. Provide the updated Prohibited Investments list to all investment managers (internal and external) advising them not to invest in the publicly traded securities of a company that is placed on the list and notify all investment managers to immediately divest ownership in the publicly traded securities of the companies on the Prohibited Investments list.</p>	<p>For funds managed internally, the securities shall be immediately sold.</p> <p>For funds managed externally, at least 50% shall be divested within 9 months and the balance shall be divested during the next 6 months.</p>	<p>This bill's language is contradictory. The intention seems to have been the same as HB5 but instead implies that internal and external funds should be immediately sold but also that for all internal and external funds, 50% should be divested within 9 months and the balance over the following 6 months.</p>
<p>7. Send letters to all managers of commingled investments requesting they consider removing from the commingled investment any company on the Prohibited Investments list.</p>		
<p>8. Provide the President of the Senate, the Speaker of the House and the U.S. Presidential Special Envoy for Sudan the Prohibited Investments list.</p>	<p>By February 1, create and file a report with the legislature, attorney general, and the U.S. Presidential Special Envoy for Sudan summarizing activities under this section. The report must include the most recently updated list of scrutinized companies.</p>	<p>By February 1, create and file a report with the legislature, attorney general, and the U.S. Presidential Special Envoy for Sudan summarizing activities under this section. The report must include the most recently updated list of scrutinized companies.</p>