

HCR

27

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Sponsor Statement

HCR 27

The purpose of House Concurrent Resolution 27 is to urge the Alaska Retirement Management Board and the Alaska Permanent Fund Corporation to divest any holdings in companies who have dealings in the terrorist sponsoring states of Iran and North Korea. Both Iran and North Korea have been identified by the U.S. Department of State, as well as the Center for Security Policy, as a threat to the security of the United States, including the State of Alaska.

HCR 27 encourages ceasing investments in order to end any further financial support of terrorism by the investments of the employees and residents of the State of Alaska. Ending all financial investments in nations who support terrorism is an important step in ensuring the safety of the United States and the State of Alaska.

From the April 22, 2002 edition - <http://www.csmonitor.com/2002/0422/p15s02-wmpi.html>

Spotting links to Terrorism, Inc.

A new investing tool screens for firms tied to countries singled out by the US government as 'sponsors' of terrorism. But will it sully some upstanding firms?

By **Laurent Belsle** | Staff writer of The Christian Science Monitor

Does your portfolio "support" terrorism?

It's a shocking thought, but not as far-fetched as it sounds.

As companies expand their global reach, they risk smudging their reputations by linking up with less-than-savory regimes. Even firms with good reputations reach into dark corners.

Take Royal Dutch/Shell. Although highly regarded for its environmental and human rights stances, the oil giant is drilling in Iran. Or consider Swedish carmaker Volvo. Despite its nice-guy image, it has sold trucks to Iraq.

Until Sept. 11, no group formally screened publicly traded companies for their links to terrorism or the spread of weapons of mass destruction. But as the United States has focused on terrorism, so some groups have begun to look at companies linked to it, even peripherally.

Earlier this month, a socially responsible investors group announced it had compiled a list of nearly 300 such firms. The group, the Investor Responsibility Research Center (IRRC), along with the Conflict Securities Advisory Group (CSAG), prefers to sell its list to subscribers (at \$12,500 a year) rather than make it public. Nevertheless, the statistics it has released make interesting reading.

For example, of the 260 or so firms linked to countries supporting terrorism and developing weapons of mass destruction, a third are European. More than a quarter come from Asia. Only 10 percent are American.

But of the 30 or so other companies linked to proliferation issues, some two-thirds hail from the US. The reason is that the US government is more likely to identify companies that export high technology with potential military uses than many foreign governments are.

Still, the long list raises a disturbing possibility. Bad publicity could hurt a broadening range of firms, including ones you invest in. "We believe terrorism and weapons proliferation merit investor attention now more than ever," says Linda Crompton, IRRC's president. "There can be enormous negative publicity."

For example: Talisman Energy, a Canadian oil company based in Calgary, has operated in Sudan since 1998. The US State Department has designated that country a state sponsor of terrorism. But after shareholders questioned the move, Talisman produced an

independently audited social-responsibility report, detailing its \$3.2 million effort to build schools and a hospital, train women as entrepreneurs, and provide water wells for 28 communities.

"Reputational risk is in the eye of the beholder," says Dave Mann, the company's manager of investor relations. "I don't think it's going to come as any surprise to our investors that we're operating in Sudan.... We are a force for good regionally around the oil fields, but also a voice for peace."

Now, however, the company is fighting a new threat to its reputation. A group of Sudanese have filed suit in a New York district court alleging that the company urged the government to clear villagers from its oil properties in a military operation. The group has even produced a document – from the government, it alleges – ordering various military actions to be carried out "fulfilling the request of the Canadian company." The company denies the allegations and vows to defend itself. Nevertheless, the allegations may have already hurt Talisman's reputation.

And that, security experts say, is the real risk firms run when they operate in suspect territories. "We assume that the companies have not done anything illegal," says Roger Robinson, Jr., a former member of the White House National Security Council and now chief executive officer of CSAG. But "in the marketplace there's been a perceived 'Sudan discount,' for that Canadian company."

Of course, coming up with a list of terrorist-sponsoring countries involves difficult decisions. For starters, who's a terrorist? The IRRC and CSAG are taking a cautious approach, using the State Department's roster of regimes involved in state-supported terrorism and the US Defense Department's report on countries involved in weapons of mass destruction and ballistic-missile programs.

That approach produces six countries involved in both activities: Iran, Iraq, Libya, North Korea, Sudan, and Syria. The list is admittedly tilted toward Western concerns. But few other such lists exist, IRRC officers say.

Another challenge: How much company involvement constitutes real risk? For example, oil giant BP owns 2 percent of PetroChina, which operates in Sudan. But that link, by itself, wouldn't place BP on the list, because companies need at least 10 percent ownership of a subsidiary or joint venture to qualify.

On the other hand, consider French carmaker Renault. Last month, CBS's 60 Minutes interviewed a defector from Iraq who said he bought refrigerated trucks from Renault. The sale, while legal under the United Nations' oil-for-food program, nevertheless allowed Saddam Hussein to put his biological weapons laboratories on wheels and evade UN weapons inspectors, the defector says.

That's potentially embarrassing publicity for Renault. But the automaker doesn't make trucks anymore. Last year, it completed the sale of its truck division to Volvo.

A Volvo spokesman says there's been no sale of such trucks, at least since 1996. "It's possible Iraq bought used trucks in Dubai or elsewhere in the Middle East," says spokesman Pierre-Alain Brendel. "We just sell the cabs and the chassis. If there's a refrigerated unit, it's not us who sold it."

Renault may suffer the consequences anyway, since Volvo still uses the Renault name on some of its trucks and the carmaker now owns 20 percent of Volvo. Ultimately, the market will determine who'll lose from this tangled tale. The point, social-responsibility investment experts say, is that institutional investors and mutual-fund managers now have a new tool to screen firms for such links.

Initial interest looks promising. "Definitely, our clients don't want to be inadvertently linked with countries the US sanctions," says Shelley Alpern, director of social research and advocacy at Trillium Asset Management, a socially responsible investment firm in Boston.

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Print

VW, Ericsson, Statoil Invest in Iran, Undeterred by Tensions

Aug. 22 (Bloomberg) -- The Fifth Tehran International Auto Fair, a five-day event that closed July 5, drew companies such as Renault SA, PSA Peugeot Citroen, Mazda Motor Corp., DaimlerChrysler AG's Mercedes-Benz, Fiat SpA and Volkswagen AG.

Many foreign companies continue to invest in Iran even though U.S. President George W. Bush described the country as part of an "Axis of Evil," along with Iraq and North Korea.

Some foreign investors, such as Japan, are delaying projects. Yet most of the about 200 companies present in Iran, such as Ericsson AB, the world's largest maker of mobile-phone equipment, and Alcatel SA, the second-biggest producer of telecommunications gear, are staying put though adopting a low profile. Others, like Statoil ASA, Norway's biggest oil company, and Technip SA, Europe's largest provider of oilfield services, state openly that they're in the country for the long term.

"When the political temperatures go up, companies take a low profile," said Slamak Namazi, managing director of Tehran-based Atieh Bahar Consulting, an adviser to companies such as BP Plc, HSBC Holdings Plc and Alcatel. "But we haven't heard of any that have cut their investments."

As the U.S. raises political pressure on Iran over a suspected nuclear-weapons program, student demonstrators have been calling for more democracy and for the supreme leader Ayatollah Khamenei to give up his special powers. Many Iranians are unhappy with the slow pace of political change initiated by President Mohammad Khatami.

Abraham's Talks

U.S. Secretary of Energy Spencer Abraham was in Europe last week and held separate discussions on Iran with Dutch Economic Affairs Minister Laurens-Jan Brinkhorst and Italian Industry Minister Antonio Marzano, a Department of Energy spokesman said. He declined to disclose details.

"They only talked about Iran in general terms," Dutch Economic Affairs Ministry spokeswoman Paula de Jonge said. "The subject of investments didn't come up." Italian officials refused to comment.

"Iran is one of the most resource-rich countries in the world but its political risk is among the highest of any rated sovereign nation," said James McCormack, a senior analyst at ratings company Fitch, which rates Iran's foreign debt as B+, on par with Romania and one notch below Azerbaijan.

After years of shunning Western investments, Iran is now actively seeking funds from abroad. In the five-year plan covering 2000-2004, the government is seeking \$4.5 billion to \$5 billion in direct foreign investment.

VW Project

VW, Europe's biggest automaker, sent its regional manager, Peter Poersch, to Tehran. Kerman Car Manufacturing, Iran's No. 3 car company, said at the fair that it signed a preliminary agreement with VW to produce four models in Iran, according to Iranian state news service IRNA.

If the accord goes ahead, the first model would come off assembly lines in the third quarter of next year with a goal of eventually producing some 200,000 units. Iran has plans to produce 600,000 cars by 2004, primarily to meet domestic demand.

"Nothing has been decided up to now," VW spokesman Hans Peter Brechinger said.

Iran has the fifth-largest proven oil reserves, holding about 90 billion barrels, or about 9 percent of the world total. It holds the world's second-largest reserves of natural gas, surpassed only by Russia.

Since 1995, the U.S. has tried to put an economic noose around Iran and slow the development of its energy potential. Then President Bill Clinton banned U.S. companies and their foreign subsidiaries from conducting business with Iran.

Sanctions

The following year, under the Iran-Libya Sanctions Act, the U.S. imposed mandatory and discretionary sanctions on non-U.S. companies investing more than \$20 million annually in the Iranian oil and natural-gas sectors.

In the post-Iraq War period, Bush has renewed calls for tough sanctions because of Iran's alleged nuclear plans.

"The international community must come together to make it very clear to Iran that we will not tolerate the construction of nuclear weapons," Bush said in June after the International Atomic Energy Agency reported that the country didn't properly report some of its activities as required by the Nuclear Non-Proliferation Treaty. "Iran would be dangerous if they have a nuclear weapon."

Low Profile

Iran has denied that it is developing nuclear weapons and says the program is designed to generate electric power to spur the economy. The country has an 18 percent unemployment rate and inflation is 25 percent.

Keeping a low profile is the best strategy for companies dealing with Iran, says Patrick Clawson, deputy director of the Washington Institute for Near East Policy. "When companies ask my advice, I've had to tell them candidly that so long as they can keep the investments off the front pages of the newspapers, it's likely that the United States government will do very little," he said.

Case in point: General Electric Co. and Halliburton Co. are coming under pressure from pension funds such as those for New York City's police and firefighters that have more than \$205 million of investments in GE and \$18 million in Halliburton.

New York City Comptroller William C. Thompson Jr. has submitted shareholder resolutions calling for board committees to examine risks posed to the companies by dealings in Iran and Syria. California Public Employees' Retirement System, the U.S.'s largest public retirement fund, has asked Congress and administration officials to identify companies that might unwittingly support terrorism.

'Clear Guidance'

General Electric, the biggest maker of medical-imaging machines and power-generation equipment, is active in Iran through its Canadian subsidiary, while Halliburton, based in Houston, has an office in Iran opened in 2000 by a Cayman Islands subsidiary, Halliburton Products & Services Ltd.

"As we said in our proxy this year, U.S. law, regulation and policy contemplate that U.S. companies will do business in Iran and elsewhere through foreign subsidiaries and provide clear guidance on how those activities are to be conducted," said GE spokesman Gary Sheffer.

Some companies are reacting. In May, ThyssenKrupp AG, Germany's largest steelmaker, paid 406 million euros (\$473 million) or three times the market price for shares in the company that were owned by Iran to avoid potential U.S. economic penalties. The move reduces Iran's stake in ThyssenKrupp to 4.4 percent from 7.79 percent.

Japanese Retreat

Japan's government was close to an agreement to invest \$2.5 billion to develop Iran's biggest oil discovery in 35 years before getting cold feet after the U.S. opposed the investment.

"This would be a particularly unfortunate time to go forward with major new oil and gas deals," State Department spokesman Richard Eucher said July 1, in a statement in Washington.

That prompted the Japanese to delay the agreement. "Suspicion about Iran's nuclear development is not an issue affecting only our country," Yasuo Fukuda, Japan's chief cabinet secretary, told reporters in Tokyo last month.

"The U.S. has done its best to prevent the Iranian economy from growing," said Tahmasb Mazaheri, Iran's minister of economic affairs and finance who was in London to attend a conference in June as the U.S. put pressure on Japan.

Energy

Still, the Japan incident was a rare victory for the U.S., which since 1998 has seen European and Asian companies such as Eni SpA and Total SA disregard its call for sanctions. Secretary of State Madeleine Albright in 1998 granted a waiver to Total and partners OAO Gazprom and Malaysia's Petrolam Nasional Berhad when it became apparent they planned to bypass the U.S. sanctions to help develop the South Pars natural-gas field. Other European and Asian companies have since asked for, and received, waivers.

"Over 200 publicly traded companies are doing business in Iran," said Roger Robinson, chief executive of Conflict Securities Advisory Group, based in Washington, which provides research reports on companies dealing with potentially hostile regimes. "The bulk of them are in energy."

In testimony to a subcommittee of the U.S. House International Relations Committee in June, Robinson said 41 companies have invested more than \$20 million each in Iranian energy projects.

Jobs

Around 80 percent of Iran's total export earnings and as much as half of the government budget is based on oil exports. Still despite the high oil revenues Iran needs to attract investment in areas other than energy to ease the high unemployment, said Fitch's McCormack,

"The oil industry creates foreign currency but doesn't create jobs," McCormack said.

Total of France in 1995 became the first foreign company to sign a petroleum development agreement with Iran since the Islamic Revolution 16 years earlier. Two years later it signed another contract for South Pars, the Persian Gulf's biggest gas field, which holds about 6 percent of the world's supply. Total executives declined to comment.

Royal Dutch/Shell Group, the biggest gasoline retailer in the U.S., won a contract in 1999 to develop the Soroosh-Nowruz offshore oilfields, pledging to invest \$800 million.

'Long-Term Strategy'

Italy's Eni, Statoil and Russia's Gazprom are also developing oil and gas fields. Statoil is seeking to boost its \$300 million investment in Iran.

"We will continue to monitor the political situation closely, but our long-term strategy is to increase our business in the country," said Inge Hansen, Statoil's chief financial officer.

"Iran is keen to make more deals and the oil companies are interested to put more money in," said Caroline Cook, an analyst at Deutsche Bank AG and one of the authors of a report on Iran. "The American oil companies are the ones losing out."

BP, Europe's second-biggest oil company, is negotiating to develop the Bangestan fields, which hold more than a billion barrels of oil.

Still, BP, the largest natural-gas producer in the U.S., is eager not to antagonize the U.S., says Cook.

With good reason. A subcommittee of the House International Relations Committee in June asked a panel of experts how the U.S. could bolster the Iran-Libya Sanctions Act and stop granting waivers to European and Asian companies.

Risks

"Taking risks is a price of doing business in the Middle East," said Sylvie Hallemons, spokeswoman for Technip, Europe's top provider of oilfield services.

Technip, which has been trading with Iran for 25 years, is building the largest ethylene plant, with an output of 1.4 million tons a year, at a cost of 300 million euros.

If the financing is there, Technip said it has no problems providing engineering services in Iran.

"We are not very nervous people. About 70 percent of our work is outside of the quiet regions of Europe and America," Hallemons said. "We know how to handle risk, otherwise we'd be nervous every day."

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The Claremont Institute

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"60 Minutes" Transcript Doing Business With the Enemy

Posted January 25, 2004

Lesley Stahl

Sunday, January 25, 2004

(CBS) Did it ever occur to you that when President Bush says, "Money is the lifeblood of terrorist operations," he's talking about your money -- and every other American's money?

Just about everyone with a 401(k) pension plan or mutual fund has money invested in companies that are doing business in so-called rogue states.

In other words, there are U.S. companies that are helping drive the economies of countries like Iran, Syria and Libya that have sponsored terrorists. Correspondent Lesley Stahl reports.

"The revenue that is generated from the work that these companies are doing, we believe, helps to underwrite and support terrorism," says William Thompson, the New York City comptroller who oversees the \$80 billion in pension funds for all city workers.

He says he wants everyone with a retirement or investment portfolio to know what these companies are up to. "We're going to increase the public visibility on this issue until these companies change their practices."

He's actually identified specific companies that have invested in these rogue countries, including Halliburton, Conoco-Phillips and General Electric. And he points out that New York's pension funds own nearly a billion dollars worth of stock in these three Fortune 500 companies, which have operations in Iran and Syria.

What was Thompson's reaction when he found out about this? "Anger that there were companies that could be contributing to attacks on our nation," he says. "You'd think to yourself, well, why would they do that? ... I didn't think they could. And more than anything it was, you thought, that the law prevented them from doing this." In fact, U.S. law does ban virtually all commerce with the rogue nations, but there's a loophole that G.E., Conoco-Phillips and Halliburton have exploited: The law does not apply to any foreign or offshore subsidiary so long as it is run by non-Americans.

"These three companies, as far as we were concerned, appear to have violated the spirit of the law," says Thompson. "In the case of Halliburton, as an example, they have an offshore subsidiary in the Cayman Islands. That subsidiary is doing business with Iran."

That subsidiary, Halliburton Products and Services, Ltd., is wholly owned by the U.S.-based Halliburton and is registered in a building in the capital of the Cayman Islands -- a building owned by the local Caldonian Bank. Halliburton and other companies set up in this Caribbean Island, because of tax and secrecy laws that are corporate friendly.

Halliburton is the company that Vice President Dick Cheney used to run. He was CEO in 1995 to 2000, during which time Halliburton Products and Services set up shop in Iran. Today, it sells about \$40 million a year worth of oil field services to the Iranian Government.

In the case of Iran, Thompson says they earn most of their revenues through their oil industry. So what is the connection between that oil business and terrorism and weapons of mass destruction?

"The Iranian Government is receiving dollars from it. And then turning around and exporting terrorism around the world. It benefits terrorism. At least that's our belief," says Thompson.

60 Minutes decided to ask Halliburton's subsidiary about its work in Iran. But we weren't allowed to enter the building with a camera. So we went in with a hidden camera, and were introduced to David Walker, manager of the local Calidonian Bank, where the subsidiary is registered. 60 Minutes was expecting to find a bustling business, but, to our surprise, Walker told us that while Halliburton Products and Services was registered at this address, it was in name only. There is no actual office here or anywhere else in the Caymans. And there are no employees on site.

We were told that if mail for the Halliburton subsidiary comes to this address, they re-route it to Halliburton headquarters in Houston.

"If you understood what most of these companies do, you would, they're not doing any business in Cayman per se. They're doing business, international business," says Walker. "Would it make sense to have somebody in Cayman pushing paper around? I don't know. And some people do it. And some people don't. And it's mostly driven by whatever the issues are with the head office."

Does that mean the head office is calling the shots? If it is, that would be against the law, which says the subsidiary must be completely independent of the U.S. company. But 60 Minutes' attempts to ask headquarters in Houston about this were rebuffed.

In a letter to New York City Comptroller Thompson, Halliburton says its Cayman Island subsidiary is actually run out of Dubai. 60 Minutes went there and learned that it shares office space, phone and fax lines with a division of its U.S.-based parent company -- which raises more legal questions about its independence from Houston. But once again, our inquiries went unanswered.

In its letter to Thompson, Halliburton insists it is complying with all U.S. laws. But he and legal experts we consulted believe they are dancing right along the edge of legality.

"If the intent was to try and prevent United States-based companies from doing business in these "rogue" nations, then it appears as if they've gotten around what the law had intended," says Thompson, who filed a shareholder's resolution calling on the company to review and justify its operations in Iran. "Halliburton attempted to block the shareholder resolution. They went to the SEC and asked for permission not to put this before shareholders." Did the SEC take it up and rule on it?

"Oh, absolutely. The SEC ruled against Halliburton and said that it had to be put in front of the shareholders," says Thompson, who plans to file the resolution at the next shareholders meeting in April.

He's also taking issue with GE and its electrical work in Iran, as well as Conoco-Phillips' gas production business in Syria: "If there are nations that wind up increasing their resources because these companies are doing business there, and we're attacked because of it, it in fact undermines our entire country."

Thompson says he decided to open the investigation in the first place at the request of New York City's police and firemen, who were outraged when they learned where their retirement money was going.

"The members of the Fire Department and the Police Department, after September 11th, given the fact that hundreds of them died in the World Trade Center as a result of a terrorist attack, had greater sensitivity than almost anybody," says Thompson. "And they were the ones who kind of took the lead on this."

But why do moral issues come into play when talking about pension funds?

"The way we've approached it isn't as on a moral basis, it is as investors," says Thompson. "And what is in the best long-term interests of our pension funds because we hold stock in these companies."

What these companies are doing, he says, isn't just a question of ethics - it's financially unsound, and bad for business.

Roger Robinson, who runs a research firm in Washington that monitors companies working in rogue states, agrees. He cites the case of Tallsman Energy, whose reputation was damaged when it did business with the Islamic Republic of Sudan. The negative publicity led to something Wall Street calls "The Sudan Discount of Tallman Stock."

"In other words, the share value or stock price was depressed by some 20, 25 percent by some estimates," says Robinson, who believes that Halliburton and GE could face the same risk.

Robinson has identified nearly 400 companies that are in most pension portfolios that are doing business in terrorist-sponsoring states. Well over 200, he says, are actually doing business in Iran; of that, more than 60 are doing business in Libya.

He says the companies are funneling tens of billions of dollars worth of capital, technology and know-how to the state-owned oil and gas sectors of these two countries. Does he ever say to himself that by revealing this information, he's taking steps to hurt the company and hurt the pension fund?

"I think that it could be looked at another way. We're certainly alerting investors to a genuine new risk category in the markets, every bit as legitimate as environmental risk was through Three Mile Island, Exxon Valdez and superfund legislation," says Robinson. "So investors, we think, have a right to know. Remember, this is their retirement dollars. They should have a sense of those who invest on their behalf, are there genuine risks there?" With that question of risk in mind, state treasurers across the country, like David Peterson of Arizona, are using Robinson's database to investigate their pension portfolios.

"I want to find out what projects they're doing and what is specifically the dollars they're investing, where they're going," says Peterson.

Taken together, state-run pension investments amount to something like \$7-trillion dollars.

"Connecticut is working on it," adds Peterson. "I know Pennsylvania, their legislature passed unanimously that we need to screen, with the approval of their pension system, for these risks."

But some of the state treasurers are running into resistance from the pension funds. In Peterson's case, the Arizona State Retirement System refused to tell him anything about its holdings.

"I have asked the pension system. We'd like to know what investments you have, the scope of your investments, what companies you're involved with. We had a legislator ask," says Peterson. "We actually had an intern from this office ask about what investments holdings do they have in some of these companies. And they just didn't want to provide it to us."

And Peterson believes that they really don't have grounds to refuse to give him, as state treasurer, that information.

"They've more just kind of tried to be evasive, and said that it's too hard to get this information," he says.

This went on for months, but to our surprise, when we asked Arizona's pension fund managers for a list of its holdings, they gave it to us right away. And it confirmed what Peterson had suspected: that Arizona's unwittingly own stock in companies like Halliburton, General Electric and Conoco-Phillips.

"There's about 11 to 14 companies that are on the S&P 500 that are involved in some substantial projects with some of these countries," says Peterson.

Congress recently directed the Securities and Exchange Commission to monitor companies operating in rogue nations. But in New York, Comptroller Thompson isn't waiting. He says he's going to expand his investigation to include Boeing and other companies that do business in terrorist states.

"Those countries depend on dollars from us to live, to do business also," says Thompson. "If we have, and if we put pressure on the companies, and they can't do business there, and others become embarrassed in doing business or buying oil there, well maybe we can help to force these countries to change their practices."

Does he think this issue's going away?

"This issue isn't going to go away any time soon, at all," says Thompson.

Halliburton declined 60 Minutes' request for an interview, but in an e-mail, the company indicated it has no intention of leaving Iran -- or addressing the questions we raised about the independence of its subsidiary.

The company did suggest that Comptroller Thompson is playing politics with pension funds, insisting there is no connection between its operations in Iran and either terrorism or nuclear research.

As for General Electric and Conoco-Phillips, they say they are breaking no laws, and like Halliburton, make no apologies for their business dealings with states that sponsor terrorism.

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The
Terrorism
Investments
of the



The Center for Security Policy
www.DivestTerror.org
August 12, 2004

Frank Gaffnie

EXECUTIVE SUMMARY

"Terrorism Investments of the 50 States" is the first national security-based statistical analysis of the investment patterns of America's public pension funds. This report proves empirically that this nation's largest and most prominent public pension systems tend to be heavily invested in global publicly traded companies that have business activities in terrorist-sponsoring states.¹

Together, these funds invest over \$1 trillion in stock alone² on behalf of this country's fire fighters, police officers, teachers, state and local officials and other public employees, making this collection of funds one of the most powerful investment blocks in the world. Given this extraordinary financial influence and the important role played by public companies in the economies of terrorist-sponsoring states³, the Center for Security Policy has reached a key finding: America's 100 largest and most prominent pension systems have the power to help defeat terrorism.

From the pension system of this country's smallest state, Rhode Island, which has close to \$400 million invested in 41 companies that are active in terrorist-sponsoring states, to America's largest public pension system – the California Public Employees Retirement System – which has over \$17 billion invested in 201 such companies, the results were remarkably uniform:

On average, America's Top 100 pension systems invest between 15 and 23 percent of their portfolio in companies that do business in terrorist-sponsoring states.⁴

Among the report's other important findings:

- ① 39 of the Top 100 pension systems were found to be invested in more than 100 companies with corporate ties to terrorist-sponsoring states. Of the rest for which there is data, only five hold less than 30 companies with such ties in portfolio.
- ② On average, the Top 100 pension systems invest in 101 companies that have business activities in terrorist sponsoring states. These companies, in turn, are involved in projects in terrorist-sponsoring states valued at more than \$73 billion.⁵
- ③ On average, the Top 100 public funds were invested in: 73 companies doing business in Iran; 24 companies doing business in Libya; 26 companies doing business in Sudan; 31 companies doing business in Syria; and 9 companies doing business in North Korea.

¹ This report sought to analyze America's "Top 100" largest and most prominent public pension systems, excluding public university endowments. At the time of publication, only 87 of these public pension funds had provided the data required to undertake this analysis.

² America's Top 100 funds invest via a number of other investment vehicles, making their total investments on behalf of the American people closer to \$2 trillion.

³ For the purposes of this report, terrorist-sponsoring states are defined as Iran, Saddam Hussein's Iraq, Libya, North Korea, Sudan and Syria. Although Cuba is also correctly listed as a state-sponsor of terrorism by the U.S. Department of State, relevant data for Cuba was not available for this study.

⁴ To perform the analyses of the 100 pension systems' investment portfolios, the Center forwarded this data to the Conflict Securities Advisory Group (CSAG). Using their *Global Security Risk Monitor*, CSAG ran each portfolio to determine its exposure to companies doing business in terrorist-sponsoring states or to proliferation-related concerns. The Center's use of this data and the views and policy recommendations expressed in this report do not necessarily reflect those of CSAG or its partner firm, Investor Responsibility Research Center.

⁵ Of the roughly 400 companies considered in this report, project values and similar financial data was available for only some 150 companies. A reasonable estimate of the value of all 400 companies' projects in terrorist-sponsoring countries would be well over \$100 billion.

- ① On average, the Top 100 pension systems were invested in 17 companies that did business with Saddam Hussein's Iraq prior to the war.

From the fact that virtually each and every public employee in this country holds stock in companies that partner with governments that sponsor terrorism flows an extraordinary opportunity: **America's 100 largest and most influential pension systems have the power to help defeat terrorism.** To understand why requires only one further statistic: **The total estimated value of the stock of some 400 companies doing business in terrorist sponsoring states held by America's leading public pension systems is approximately \$188 billion.⁶**

When a group of investors own roughly \$200 billion worth of stock in some 400 companies, they should be able to exercise considerable influence over the decision-making and business activities of those companies. Accordingly, if these Top 100 pension systems were to make clear that their funds will not be available to corporations partnering with terrorist-sponsoring states, the message would be unmitigable: There will no longer be simply profits to be garnered from investments in rogue states; from now on, there will be real costs. Ideally, those costs will translate into a choice between doing business with the American people and capital markets on the one hand or, alternatively, doing business with terrorists' friends and this country's enemies.

The South Africa divestment campaign of the 1980's taught Americans a compelling lesson: When companies receive a unified message from state pension systems and other institutional investors who follow their lead, they respond. It seems reasonable to expect that, just as such corporate actions (notably, withdrawal from business operations in-country) compelled changes in the policies – and ultimately the government – of South Africa, application of this model to state-sponsors of terror could also produce salutary results. In other words, **the Top 100 public pension systems can help defeat terrorism by using their investments in public companies to force the governments of Iran, Syria, North Korea, Sudan and Libya to choose between their sponsorship of terrorism and their critical partnerships with public companies.**

In a recent letter to the Executive Directors of the same Top 100 pension systems assessed herein, Senator Frank Lautenberg (D-NJ) left little doubt as to the moral responsibility of our nation's pension systems to help defeat terrorism. According to the Senator, **"It is...unconscionable for our country's public pension systems to permit investment in companies that provide revenues, advanced equipment and technology to countries that threaten our vital security interests."**

The data in this report establishes that such "unconscionable" behavior is pervasively occurring today. For Americans to understand the full extent to which their money is being used by publicly traded companies to help terrorist-sponsoring regimes, they will need greater transparency and disclosure on the part of those who manage and invest such funds. Toward that end, public employees, taxpayers and state and federal officials and legislators should insist on knowing the full extent of their unintended and undesirable exposure – moral, strategic and financial – to aiding and abetting our enemies.

In the meantime, a simple principle must be applied: Americans do not want to invest in terror, directly or indirectly. Regrettably, that is what is being done on a massive scale today. Stopping such a practice – the goal of DivestTerror.org – can make a significant contribution to waging and winning the war on terror.

⁶ Based on the results for the 87 funds analyzed, we estimate that the actual holdings of the Top 100 pension systems in the stock of companies that do business in terrorist-sponsoring states likely exceeds \$210 billion.

INTRODUCTION

The Center for Security Policy has long held the view that the U.S. capital markets represent an important front in the financial war on terrorism. The level of national security-oriented scrutiny applied to the capital markets by Wall Street and the U.S. Government to date, however, has been woefully inadequate. This report – part of the Center's new DivestTerror.org campaign – is designed to shed light on the connections between U.S. State Department-designated terrorist-sponsoring states, the proliferation of weapons of mass destruction (WMD) and ballistic missiles, global public companies and tens of millions of American investors. In so doing, this report paints a stark picture of how the economic life-blood of terrorist-sponsoring rogue regimes is being unwittingly provided by the pension systems and other investment portfolios of average Americans.

Typically, corporations have considered the question of ties to terrorist-sponsoring states exclusively from the financial standpoint of return-on-investment. This report suggests that, in time of war, decisions by management and shareholders concerning corporate ties to states identified as sponsors of terror and proliferators of weapons of mass destruction must be governed by another consideration: Investments in, and business ties to, such nations serve to prop up their economies, providing resources, know-how and advanced equipment and technology that compounds the danger they pose to us.

The Economies of Terrorist-Sponsoring States

It is indisputable that the regimes of terrorist-sponsoring states benefit enormously from foreign investment. Consequently, their attraction of such investment has been a priority over the past several years. For a number of these countries' domestic industries – most notably the energy sectors – foreign investment has been the decisive factor in maintaining their economic vitality. Without the advanced equipment, technology, expertise and revenues provided by the world's leading public companies, the economies of these countries would stagnate and probably collapse over time.

Indeed, this premise underpinned the passage of the Iran-Libya Sanctions Act of 1996, which sought to discourage business activities in the energy sectors of these countries in hopes of diminishing the capability of Tehran and Tripoli to sponsor terrorism and fund expensive WMD and ballistic missile programs. According to former Clinton Under Secretary of State Peter Tarnoff:

"A straight line links Iran's oil income and its ability to sponsor terrorism, build weapons of mass destruction, and acquire sophisticated armaments. Any government or private company that helps Iran to expand its oil must accept that it is contributing to this menace."

Libya offers a text-book example of the dependence of these countries on foreign capital. During the 1990s, Libya's oil industry was largely paralyzed and overall government resources severely restricted by comprehensive UN and other sanctions. Eventually, economic pressures brought about what is said to be a dramatic course correction by Muammar Qaddafi involving unprecedented cooperation on a variety of security-related concerns. While the Libyan dictator was clearly concerned that the U.S.-led liberation of Iraq might have meant his regime would be the next to be "changed" by force of arms, another impetus behind this change was his need to reverse the country's dire economic condition which could also have impelled the collapse of Qaddafi's misrule.

The Libyan case underscores the potentially powerful effect that publicly traded companies can have on the policies of rogue regimes. Indeed, the Center's proposed divestment and investor activism campaign – DivestTerror.org – is based on a simple proposition: Were publicly-traded companies, as a result of investor pressure, to threaten to withdraw from terrorist-sponsoring states or to take such a step if necessary, other rogue states would be compelled to follow the Libya model of forswearing dangerous policies in exchange for sustained economic viability.

Iran serves as another example. It reportedly seeks foreign investment of up to \$5 billion per year to achieve its goal of doubling oil production by 2015. According to the Energy Information Agency of the U.S. Department of Energy: "Overall, Iran's oil sector is considered old and inefficient, needing thorough revamping, advanced technology, and foreign investment."⁷ Other countries, such as Syria and Sudan, also benefit enormously from the infusion of foreign capital and expertise coming from scores of international companies. These corporations are primarily publicly traded firms from Europe, Asia and even the United States.⁸

Indeed, there are some 400 publicly traded companies doing business in terrorist-sponsoring states, helping to develop and advance economies that would otherwise stagnate and decline. The alternative to these foreign concerns would be domestic, often state-owned, companies that are plagued with inefficiencies, corrupt business practices and an overall lack of advanced technological capability. In other words, **without U.S. and foreign publicly traded companies, the economies of terror-sponsoring regimes would be severely afflicted.** Under such circumstances, it seems reasonable to expect that their ability to pursue terrorist and other agendas hostile to this country would be significantly degraded, as well.

Trading with the Enemy

In recent testimony before Congress, the senior U.S. official charged with administering and enforcing economic sanctions policy, Richard Newcomb, who directs the Treasury Department's Office of Foreign Assets Control, described the goal of sanctions as "...intended to deprive the target of the use of its assets and deny the target access to the U.S. financial system and the benefits of trade, transactions and services involving U.S. markets."⁹ **It is ironic that at the same time the Administration properly seeks to curtail funding for governments that sponsor terrorism, the investment dollars of average Americans are funding companies whose activities in terrorist-sponsoring states directly contravene the objectives of U.S. sanctions policy.**

The willingness, moreover, of other nations to permit their companies to provide material support to state-sponsors of terrorism enables these public firms (and the offshore subsidiaries of U.S. companies) to circumvent and undermine U.S. sanctions regimes. Particularly egregious examples are foreign oil companies held in the portfolios of millions of Americans that generate billions of dollars in annual revenues for governments that aid and abet our terrorist enemies. Since money is

⁷ Country Analysis Briefs: Middle East and North Africa. Iran. Energy Information Administration. Department of Energy. November 2003.

⁸ Despite new U.S. trade sanctions on Syria, it is not illegal for U.S. companies to do business in the country. Moreover, even in countries where it is illegal for U.S. companies to do business, a number of them manage to circumvent U.S. law by operating in these countries via overseas subsidiaries. The U.S. Senate has recently debated the need to close this loophole in U.S. sanctions policy and almost certainly will be doing so again in the near future.

⁹ Testimony of R. Richard Newcomb, Director, Office of Foreign Assets Control, U.S. Department of the Treasury before the Committee on Banking, Housing, and Urban Affairs United States Senate. May 10, 2004.

fungible, there is little doubt that these revenues are helping to enable such governments' sponsorship of terrorist organizations and development of weapons of mass destruction.¹⁰ Of no less concern is the contribution made to the latter via "dual-use" technology and equipment (i.e., that with both civilian and military applications) obtained through the business operations of foreign firms.

American Investors Underwriting Terrorism

One might ask: What does my pension plan or mutual fund have to do with the fact that these companies are propping up terrorist-sponsoring states? The fact of the matter is that these companies are publicly owned and controlled by their shareholders. Companies use the invested capital represented by each share to fund their corporate operations and policies.

In exchange for their investment, shareholders in these companies have select opportunities to engage in oversight of and decision-making concerning corporate activities. For example, each shareholder has the opportunity to vote at annual shareholder meetings on management issues affecting the company or, in some circumstances, to proffer shareholder resolutions in order to alter any given aspect of corporate policy. Shareholders also have the option of selling their stock, either contributing to downward pressure on share value – which could influence corporate behavior – or simply to register disapproval. **As a result, companies that do business in terrorist-sponsoring states are doing so with the tacit, if unwitting, approval, and with the funds, of their investors.**

To be sure, individual investors usually face an uphill battle in influencing corporate behavior. Institutional investors, on the other hand, tend to have considerably greater influence since they typically control far larger stakes in companies.

As has been evident in recent years (notably, in connection with environmental, tobacco and management accountability controversies), public pension and other institutional investors have a demonstrated ability – and, in many cases a perceived obligation – to pursue prudent corporate governance initiatives. Through shareholder resolutions, divestment campaigns and other forms of shareholder activism, institutional investors have materially affected the decision-making of myriad corporations.

There is, therefore, no reason why non-U.S. companies (including American-owned overseas subsidiaries) doing business with terrorist-sponsoring states should be considered beyond the reach of U.S. investors. To the contrary, citizens of this country are heavily invested in these companies, as they often list on U.S. exchanges. Their equity is likewise available to American investors through American Depositary Receipts (ADRs), a mechanism that allows for U.S. institutional investors to buy the stocks of foreign companies. The fact that the U.S. houses as much as 40 percent or more of the world's investable capital is not lost on the world's leading publicly traded companies. Neither should the leverage thus conferred be allowed to remain unutilized as an instrument to help win the war on terror. Finally, the overseas subsidiaries of U.S. companies are likewise within the sphere of influence of American investors that own the stock of their U.S. parent company.

¹⁰ While it would be impossible to trace directly revenues generated by a publicly-traded company to the sponsorship of terrorism, the fungibility of money, at minimum, makes possible the freeing of government funds for these nefarious purposes.

'Global Security Risk'

In fact, there have already been instances where institutional investors took action in response to the perceived exposure of companies to what has come to be known as "global security risk." They have tended to do so, however, due to their perceptions of the undue *financial* exposure associated with investing in companies doing business with terrorist-sponsoring regimes. It stands to reason that institutional (and, for that matter, individual) investors should be even more concerned about investing in corporations that appear indifferent to the harm their activities in rogue states can do to vital U.S. security interests.

For their part, such companies should carefully consider the consequences of conducting business in countries where their presence helps the cause of international terrorism. At the very least, the moral and ethical dimensions of these corporate practices should be assessed. Should they fail to take corrective action, shareholders should feel no compunction about taking management to task by divesting the stocks of companies that insist on helping to meet the acute financial and technological needs of terrorist-sponsoring states.

As it happens, there is another, prudential reason for stockholders to compel changes in problematic, terror-abetting corporate behavior: There is also *financial* risk associated with such behavior. The Securities and Exchange Commission (SEC) has described this as "a crucial issue for investors" and of material concern to their investment decisions. In fact, the SEC has recently established an Office of Global Security Risk to look exclusively at the disclosure-related aspects of this risk category – an initiative that was formally mandated by legislation signed into law in January of this year.

To their lasting credit, the pension funds of two unions at the cutting edge of the war on terror – i.e., those of New York City's police and firefighters – have been pursuing corporate governance initiatives on the basis of global security risk for more than two years, under the able stewardship of New York City Comptroller William Thompson. States such as Arizona and Pennsylvania have likewise joined the fray, passing on a bipartisan basis legislation explicitly calling on state pension systems and asset managers to account for global security risk.

Incredibly, notwithstanding either the national security implications or the financial risks of corporate ties to terrorist states, the largest U.S. public pension funds have to date done nothing to address this major challenge. Indeed, a number of them have actively resisted efforts to educate them and their beneficiaries to the moral, strategic and financial dangers entailed in investments exposed to global security risk. As noted elsewhere in this report, some have even refused to provide information concerning the make-up of their investment portfolios. As things stand now, it seems unlikely that any will be able to respond to Senator Frank Lautenberg's inquiry regarding how many companies in which they own stock currently operate in terrorist-sponsoring states.

The Center for Security Policy believes such behavior to be seriously misguided, if not actually malefasant. In the interest of helping to illuminate both the attendant national security and financial implications, the Center has undertaken an in-depth analysis of each state's major public pension systems. The goal is to examine publicly for the first time the extent of such exposure and to record empirically the extent to which such funds – and the *millions of America's civil servants* whose interests they purport to safeguard – are invested in companies whose corporate activities are providing revenues, equipment, technology and moral cover to governments that harbor terrorists and threaten the security interests of America and our allies.

METHODOLOGY

"The Top 100 Public Pension Systems" is the feature section of this report. For the investment portfolios of each of America's Top 100 public pension funds, this section provides detailed analyses of their investments in companies that are active in terrorist-sponsoring states and in companies that have been publicly associated with the proliferation of weapons of mass destruction or ballistic missiles. For the purposes of this report, terrorist-sponsoring states are defined as Iran, Saddam Hussein's Iraq, Libya, North Korea, Sudan and Syria.¹¹ Also provided is each fund's contact information so that you, the reader, can take steps to register your views on this topic directly with pension and state officials.

Acquiring the Data

In preparing this report, the Center for Security Policy obtained the most recent, publicly-available investment portfolios for each of the Top 100 public pension systems.¹² Accordingly, the investment data underpinning this report is, in most cases, dated June 2004, December 2003 or June 2003. Although small adjustments may have occurred in the funds' aggregate totals since the most recent data was provided, public plan sponsors tend to be long-term investors that rarely make substantial changes to their portfolio holdings.

Using the investment portfolio of the "Retirement Systems of Alabama," dated December 31, 2003, as an example, our report finds that the fund was invested in 133 companies that are doing business in terrorist-sponsoring states. The total "Amount Invested" in these companies by that pension fund was \$2,418,088,117.26. (The analysis for the "Retirement Systems of Alabama" can be found on p.11.) It is likely the case that these numbers have not dramatically changed over the past eight months, as investment patterns tend to be fairly stable. It is possible, however, that these totals may have changed somewhat due to the fact that stock prices can fluctuate on a daily basis and modest investment adjustments are sometimes made by fund managers. For the purposes of this study, we have assumed that currently unavailable, up-to-the-minute data will not differ appreciably from that in hand.

A number of pension systems were not forthcoming with their investment portfolios, despite the fact that they are public entities and, in many cases, state law requires them to make available such information when requested. For example, the Detroit Police and Firemen Retirement System refused to recognize the submission of a public records request and never provided data. Similarly, a representative of the Tennessee Consolidated Retirement System questioned why the portfolio holdings of public employees are relevant to the public and chose not to return subsequent phone calls. The State of Georgia offered several obstacles, including an initial claim that they were simply too busy to send their portfolio, but one could come to their offices in-person to inspect the records. They subsequently stated that no copies could leave the premises if a representative came to review the state's public portfolios. The Utah State Retirement System flatly refused to provide any data whatsoever, citing fund policy.

¹¹ Although Cuba is also correctly listed as a state-sponsor of terrorism by the U.S. Department of State, relevant data for Cuba was not available for this study.

¹² As of the time of completion of this report, thirteen of the Top 100 public pension systems had not provided their portfolios, including two federal systems that invest on behalf of this country's armed services.

Running the Pension Fund Portfolios

Once the portfolios from each public pension system were obtained, the data was forwarded to Conflict Securities Advisory Group, Inc. (CSAG), an independent and impartial Washington-based risk assessment firm that specializes in identifying and assessing companies with ties to terrorist-sponsoring states and proliferation-related activities. CSAG ran the portfolios against their *Global Security Risk Monitor*, a commercial software product offered on a subscription basis by CSAG and the Investor Responsibility Research Center, and provided the requested results to the Center. Among the subscribers to the *Global Security Risk Monitor* are leading institutional investors, such as New York City's Police and Fire Fighter Funds, and the governments of the United States and Japan. **The Center's use of this data and the views and policy recommendations expressed herein do not necessarily reflect those of CSAG or its partner company.**

State Fund Analyses

Each fund analysis uses the same user-friendly template to show the results of our analysis. The section entitled "Exposure Levels" indicates the number of companies in which the fund in question is invested that are doing business in terrorist-sponsoring states, and the total amount invested by the fund in those companies. It provides similar information regarding the fund's investments in companies that have been linked to proliferation-related concerns. For example, the "Retirement Systems of Alabama" is invested in 133 companies that are active in terrorist-sponsoring states and 16 that have been linked to proliferation-related concerns. It has invested approximately \$2.7 billion in these companies. The pie chart to the right of "Exposure Levels" indicates the percentage the holdings in such companies represent of the fund's total equity assets under management. In the case of Alabama, that \$2.7 billion represents roughly 21 percent of the fund's total equity holdings.

Each fund analysis is based on the equity, or stock, holdings of each fund and does not take into account any other investment categories such as debt, currency or other holdings. Accordingly, Alabama likely has much more than \$66,806,092,128.97 in assets under management when the fund's investments in bonds and other investment vehicles are included. Although it is possible that each fund has investments in the debt of companies with ties to terrorist-sponsoring states, for simplicity's sake, this report focuses solely on equity investments.

It is likewise the case that many of the public pension systems invest in equity indices. This investment strategy entails the purchase of an "index" or basket of stocks via a fund manager. As the composition of indices is, at times, proprietary and in other instances not accessible via state records, this report does not account for investments in companies that are active in terrorist-sponsoring states that are made via an index fund. As a result, it is probable that many of the pension systems covered in this report are *even more heavily* invested in companies active in terrorist-sponsoring states than the data used in this report indicates.

The section entitled "Financial Impact of Publicly Traded Companies on the Economies of Terrorist-Sponsoring States" is designed to illustrate the critical role played by these companies – owned in large part by the public employees on whose behalf each fund invests – in the economies of these countries.

To underscore the importance of this section of the report, consider the following: The "Retirement Systems of Alabama" are invested in companies with an estimated \$29 billion worth of projects

In these countries. By contrast, since 9/11, the U.S. government has successfully interdicted approximately \$130 million in terrorist-funding. Were the public pension systems of this country to persuade state-sponsors of terror no longer to support such activity or, alternatively, to persuade companies to stop doing business with terrorist-sponsoring Iran, Libya, Syria, and Sudan, those regimes would experience a far greater cost than \$130 million in lost revenues. Perhaps billions of dollars of infrastructure investments would be forgone.

The section entitled "Companies Held by [Name of the Fund] With Ties To:" identifies in which terrorist-sponsoring states these portfolio companies have business operations. In the case of Alabama, its 133 portfolio companies with such business links have done business with Iran, Saddam's Iraq, Libya, North Korea, Sudan and Syria. (N.B. The numbers in this section often exceed the number of companies cited under the "Exposure Levels" heading because many of those companies have business activities in more than one terrorist-sponsoring state.)

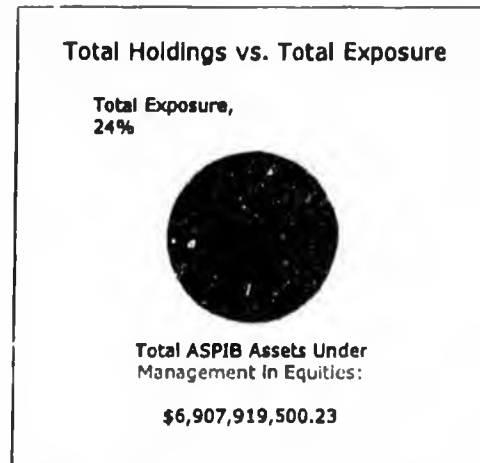
Finally, the "Sample Holdings" section provides examples of those companies held by the fund (including the amount invested in each) that are illustrative of the Center's concerns about corporate ties to terrorist-sponsoring states and the need for Americans to commit to taking action on this new front in the financial war on terrorism. Further information on such companies is available at www.DivestTerror.org.

ALASKA

Alaska State Pension Investment Board (ASPIB)
 333 Willoughby Avenue, 11th Floor
 P.O. Box 110405
 Juneau, AK 99811-0405
 (907) 465-4399

Exposure Levels

		<u>Amount Invested</u>
Companies held by ASPIB with Ties to Terrorist-Sponsoring States:	98	\$1,471,137,528.24
Companies held by ASPIB with Ties to Proliferation-Related Concerns:	16	\$172,385,530.81
Total Exposure:	114	\$1,643,523,059.05



This graph illustrates that 24% of ASPIB's total equity holdings are in companies with ties to terrorist-sponsoring states or proliferation-related concerns.

Financial Impact of Publicly Traded Companies on the Economies of Terrorist-Sponsoring States:

The 98 Companies that ASPIB is Invested in Are Involved in Projects in Terrorist-Sponsoring States Worth, at a Minimum,
\$27,584,340,000

Companies Held by ASPIB with Ties to:

	<u>Number of Companies</u>
Iran	68
Saddam's Iraq	16
Libya	22
North Korea	8
Sudan	25
Syria	34

Sample Holdings

<u>Company Name</u>	<u>Total Exposure</u>
Alcatel SA	\$10,311,624.41
ENI	\$21,828,646.49
Statoff ASA	\$6,566,211.76
Total SA	\$30,883,140.72
UBS AG	\$19,444,609.79

Alcatel SA

Alcatel, headquartered in France, has significant operations in three terrorist-sponsoring countries: Iran, Libya and Sudan. It likewise carried out major fiber optics contracts with Saddam Hussein's Iraq prior to the recent war. The total value of the company's operations in terrorist-sponsoring states over the past five years is more than \$300 million.

Among its activities in Iran that have relevance to Tehran's military and terrorism-related activities are contracts signed with state-controlled Iranian companies to provide data transmission and switching network capabilities. These contracts have reportedly included the provision of hardware, software, technologies and training to Iranian companies. It likewise is installing an undersea telecommunications cable in the country. Most of its activities in Iran are undertaken with state-owned partners.¹

Prior to the Iraq war, Alcatel is reported to have significantly upgraded the Saddam Hussein regime's fiber optic infrastructure. Alcatel undertook those operations despite the publicly stated concerns of the U.S. government that the project could advance Iraqi military capabilities -- and potentially cost American lives.² In Libya and Sudan, the company is currently involved in similar telecommunications projects ranging from upgrading networks to the installment of underwater fiber optic cables.³

Alcatel's activities place it on the "Dirty Dozen" list for the following reasons:

- **Advanced Technology:** As a world leader in the telecommunications sector, Alcatel is undertaking technologically-advanced projects in three terrorist-sponsoring states. As evidenced by the company's activities in Iraq, these types of projects can introduce technology that can have military purposes. The likelihood that dual-use technology is diverted to nefarious purposes is increased when a company, as is the case with Alcatel, contracts with state-owned companies.
- **Revenues:** Alcatel is involved in projects totaling over \$300 million in terrorist-sponsoring states. Not only does this create government revenues, but it also serves as an engine for broader economic growth.
- **Moral and Political Cover:** When leading global companies such as Alcatel partner with terrorist-sponsoring states, it sends a clear message to these governments: Sponsoring terrorism is not a concern as long as there are corporate profits to be made. This message undermines U.S. sanctions and international diplomatic efforts.

1. Alcatel Company Website, 2002; and Modern Power System, April, 2000.

2. Washington Post, 9/5/01.

3. Al Bawaba, 12/18/02; and Saudi Economic Survey, 7/10/02.

ENI SPA

ENI Spa, the Italian energy giant, has one of the largest footprints of any Western company in terrorist-sponsoring states. Although doing business in only two terrorist-sponsoring states at the moment -- Libya and Iran -- ENI's projects in these countries are estimated to be valued at more than \$10 billion.

ENI - and its subsidiaries, Agip and Snamprogetti Spa, have a number of significant business ties to the oil and gas industries of Iran. ENI maintains a 38% stake in Iran's Balal offshore oil field, a 60% stake in Phases 4 and 5 of the South Pars offshore gas field, and a 45% stake in the Gulf Dorood oil field. According to reports, ENI's contract for the South Pars gas field alone totaled some \$3.8 billion. ENI has also been awarded construction and upgrade contracts for several large Iranian petrochemical complexes. The company is reportedly also bidding on contracts to develop additional phases of the South Pars deal.¹

Libya's West Libya Gas project, valued at as much as \$5.6 billion, is the result of a joint venture formed between ENI and the state-owned Libyan National Oil Corporation. This project is designed to develop, refine and export via an underwater pipeline up to 10 billion cubic meters of natural gas to Europe each year. ENI and its subsidiaries are also invested in a number of other projects including development of the "Elephant" oil field in Libya's Murzuq basin and the construction of several petrochemical and oil and gas treatment plants.²

ENI's activities place it on the "Dirty Dozen" list for the following reasons:

- **Revenues:** The primary source of hard currency for Iran and Libya is the export of oil and natural gas. Indeed, 75 percent of all of Libya's government receipts come from oil exports, as does some 40-50 percent of Iran's overall budget.³ In the coming years, the company's activities will help generate billions of dollars for the governments of Iran and Libya. Such hard currency revenues pave the way for Iran to accelerate its dangerous weapons of mass destruction program and for both countries to continue supporting terrorism with impunity.
- **Economic Growth:** ENI is an engine for growth in Libya and Iran. In the case of the West Libya Gas Project, ENI's participation will help Libya produce 47,000 barrels of oil per day and its Elephant field another 50,000 barrels per day. ENI's investment in Libya, together with that of two other large European oil companies will add 177,000 barrels to Libya's daily oil capacity by 2004.⁴ This type of rapid economic growth serves as a lightning rod for broader economic development and undermines diplomatic efforts to secure the end of their sponsorship of terrorism.
- **U.S. Sanctions Violator:** ENI is currently in technical violation of the Iran-Libya Sanction Act. That law was specifically designed to ensure that Iran and Libya were unable to realize substantial energy-related revenues that could be used to advance those countries' sponsorship of terrorism.
- **Moral and Political Cover:** When leading global companies such as ENI partner with terrorist-sponsoring states, it sends a clear message to these governments: Sponsoring terrorism is not a concern as long as there are corporate profits to be made. This message undermines U.S. sanctions and international diplomatic efforts.

1. MENA Business Reports, 2/20/03; The Oil and Gas Journal, 8/14/00; Bloomberg News, 1/9/03; MEED, 12/20/02; WWP- Report on Oil Gas & Petrochemicals in the Developing World, 11/1/02; and Agence France Presse, 9/12/02.

2. Middle East Economic Digest, 7/11/02; International Petroleum Finance, 7/1/03; MEED, 7/11/02; and Agence France Presse, 2/1/02.

3. Country Analysis Briefs, Energy Information Administration, Department of Energy, May 2002; and Country Analysis Briefs, Energy Information Administration, Department of Energy, July, 2002.

Statoil ASA

Although, to our knowledge, the Norwegian energy giant, Statoil ASA, has ties to only one terrorist-sponsoring state, Iran, the dubious nature of those activities merits investor concern.

Statoil's operations in Iran are focused on the country's \$2.6 billion South Pars gas field. In coordination with Iran's Petropars, Statoil is developing offshore Phases 6-8 of the South Pars field and holds a 40 percent stake in those projects. The company reportedly plans to invest as much as \$300 million in the \$2.6 billion South Pars gas field over the coming four years.¹

Of greater concern is Statoil's agreement to pay Horton Investments, an Iranian investment firm, \$15.2 million as part of an effort to advance its business interests in Iran. In 2003, this agreement became the source of an intense government investigation that led to a raid on Statoil's offices. The basis for the controversy was Horton's ties to Mehdi Hashemi, son of former Iranian President Ali Akbar Hashemi Rafsanjani, who works at the National Iranian Oil Company. Statoil was investigated for potential bribery and corruption charges. Although the contract was eventually canceled (after \$5.2 million had already been transferred to Horton, however), the scandal led to the resignation of Statoil's CEO and other senior officials.²

Statoil's activities place it on the "Dirty Dozen" list for the following reasons:

- **Geopolitical Motives:** Statoil describes its investment in Iran as "in line with Norwegian foreign policy, which encourages increased trade relations with Iran."³ Not only was the company willing to ignore Iran's position as the world's leading state sponsor of terrorism, but the company views its operations as directly supporting a government position that undermines the U.S. war on terrorism.
- **Revenues:** Statoil is involved in projects totaling over \$300 million in Iran. This translates into both increased revenue flows for an extremely dangerous, terrorist-sponsoring regime and serves as an engine for broader economic growth.
- **Moral and Political Cover:** When leading global companies such as Statoil partner with terrorist-sponsoring states, it sends a clear message to these governments: Sponsoring terrorism is fine as long as our company makes a profit. This message undermines U.S. sanctions and international diplomatic efforts. This message is reinforced when a firm allegedly seeks to bribe leading Iranian officials for contracts in that country.

1. Company Website, 2004

2. The Oil Daily, 9/29/03; The Oil Daily, 9/29/03; and International Oil Daily, 9/12/03.

3. Company press release, 10/28/02.

Total SA

Total SA, headquartered in France, is among the leading energy investors in terrorist-sponsoring states, including Iran, Libya, Sudan, Syria and, prior to the Iraq war, Saddam Hussein's Iraq. Its ties to these countries include ownership and development stakes in oil and gas fields that have generated significant revenues for the governments of these countries. Total's projects in these countries are valued at more than \$3 billion and possibly much higher.

Through close cooperation with Iran's state-owned National Iranian Oil Company, Total is involved in joint research projects and contracts for the development and operation of numerous onshore and offshore oil fields in Iran. Included in these are projects at Kharg Island and Dorood field, projects at the Balal oil field and a 40% stake in the South Pars natural gas field. Total has openly stated its intention to spend as much as \$2 billion on the development of South Pars alone.¹

In the run-up to the Iraq war, it was reported that, in March 2003, Total SA negotiated a major contract with Saddam Hussein's regime to develop Iraq's southern oil fields. The value of this contract was estimated at some \$40-60 billion. In Sudan, the company has been in control of Block B oilfield together with Kufpec and Marathon for a number of years.²

Total also has a number of energy-related production and development operations throughout Libya. These activities have resulted in large increases in overall Libyan oil production and have helped upgrade the country's oil sector and revenue-generating capability. In Syria, it has been the lead developer of the \$400 million Desvas project. The project reportedly processes some 740 million cubic feet of gas per day. Total's oil industry investments generate an estimated 50,000 barrels of oil per day in close coordination with the state-owned Syrian Petroleum Company.³

Total's activities place it on the "Dirty Dozen" list for the following reasons:

- **U.S. Sanctions Violator:** In 1997, Total became the first company to flout openly the U.S. Iran-Libya Sanctions Act. That law was specifically designed to ensure that Iran and Libya were unable to realize substantial energy-related revenues that could be used to advance those countries' sponsorship of terrorism. Once Total ignored the law with impunity, a flood of foreign companies rushed to enter the energy market of those countries.
- **Revenues:** The primary source of hard currency for most of the U.S.-designated terrorist-sponsoring states is the export of oil and natural gas. 75 percent of all of Libya's government receipts come from oil exports, as does some 40-50 percent of Iran's overall budget.⁴ Syria and Sudan are likewise dependent on such revenues. Put simply, without the revenues provided by companies like Total, these governments would be unable to support terrorism and maintain expensive weapons programs.
- **Geopolitical Motives:** It is widely accepted that a government's sponsorship of terrorism plays no role in Total's strategic planning. Yet, the company has been accused of using its willingness to defy U.S. sanctions to its advantage in negotiations with sanctioned nations. For example, some have speculated that the enormity of the reported \$40-60 billion deal Total inked **near the end of Saddam Hussein's reign** reflected the Iraqi dictator's expectation that French political support would be assured by such a lucrative agreement. It strains credulity that the U.S. would knowingly wish to hold the stock of a company whose corporate interests may lead it and its government to pursue an agenda antithetical to Western security interests and at odds with U.S. policies and laws for crass commercial reasons. Yet, Total is one of the most widely held foreign stocks in the portfolios of public pension funds throughout the 50 states.⁵

- **Moral and Political Cover:** When leading global companies such as Total SA partner with terrorist-sponsoring states, it sends a clear message to these governments: Sponsoring terrorism is not a concern as long as there are corporate profits to be made. This message undermines U.S. sanctions and international diplomatic efforts.

1. Company Global Report, 2001; The Regulatory News Service, 5/13/02; and Agence France Presse, 12/13/01.
2. The New Republic, 3/17/03; and Africa Energy Intelligence, 3/6/03.
3. Bloomberg News, 8/7/02; Platt's Oilgram News, 8/8/02; Africa Review World of Information, 9/23/03; WWP- Report on Oil Gas & Petrochemicals in the Developing World, 1/1/03; and AFX/Regulatory News Service, 1/28/02.
4. *Country Analysis Briefs, Energy Information Administration, Department of Energy, May 2002; and Country Analysis Briefs, Energy Information Administration, Department of Energy, July, 2002.*
5. The New Republic, 3/17/03.

UBS AG

The Swiss Bank, UBS AG, has ties to the financial sector of Iran and Libya and was fined for its ties to Saddam's Iraq prior to the war. While the cumulative value of its business activities in these countries is relatively modest, the company recently faced public scandal and substantial U.S. government fines after investigations of the company's undisclosed ties to Iran uncovered significant transfers of U.S. dollar bank notes directly to Iran.

In May 2004, UBS AG was fined \$100 million by the U.S. Federal Reserve for violating a contract that stipulated that UBS would not, as part of its work program, transfer dollar notes to U.S.-sanctioned countries. Until the termination of its contract in October 2003, UBS was a part of the Federal Reserve's "Extended Custodial Inventory Program" that is designed to facilitate the introduction and circulation of new U.S. dollar banknotes. U.S. investigations discovered that UBS employees had filed false reports to the Federal Reserve that covered up illegal dollar transfers with Iran, Libya and other sanctioned countries, including Cuba and the former Yugoslavia, that totaled some \$5 billion.¹

Additional ties to Iran have included UBS's announced intention to confirm letters of credit for Swiss exports to Iran dealing with a number of Iran's most important banks, including Bank Mellat, Bank Melli Iran, Bank Saderat, Bank Sepah and Bank Tejarat.²

A subsidiary of the company, UBS (USA) was fined \$14,750 by the U.S. Treasury Department's Office of Foreign Assets Control to settle charges that UBS violated U.S. sanctions on Iraq. Its ties to Iraq allegedly included illegal funds transfers that took place in 2001.³

UBS' activities place it on the "Dirty Dozen" list for the following reasons:

- **Hard Currency:** UBS illegally provided U.S. banknotes to sanctioned terrorist-sponsoring countries. The U.S. government's punitive actions against UBS underscore the point that, without hard currency, it would be difficult for these governments to continue their sponsorship of terrorism and costly weapons of mass destruction programs. Indeed, the purpose of sanctions is to deny the type of cash to these countries that UBS provided.
- **The Role of Finance:** Banks play a vital role in the economies of terrorist-sponsoring states by underwriting projects that create substantial revenues for the government. Without the financial life-support provided by leading banks such as UBS, the governments of Iran, Libya and other terrorist-sponsoring states would find it more difficult to ignore diplomatic efforts to discourage their sponsorship of terrorist groups.
- **Moral and Political Cover:** When leading global companies such as UBS do business with terrorist-sponsoring states, it sends a clear message to these governments: Sponsoring terrorism is not a concern as long as there are corporate profits to be made. This message undermines U.S. sanctions and international diplomatic efforts.

1. Associated Press Online, 5/10/04; and PR Newswire, 5/10/04.

2. Company Press Release, 5/31/01.

3. U.S. Treasury Department Office of Foreign Assets Control Website, 2003.

The Alaska Permanent Fund

Stock holdings

As of September 30, 2005 - updated quarterly

APFC made its first stock investments in 1983, when it allocated 15 percent of the Permanent Fund's market value to US stocks. In 1989, APFC allocated 10 percent to non-US stocks. Today, stocks comprise about 55 percent of the Fund's market value. Compared to its bond and real estate asset classes, stocks have provided the highest long term average rates of return for the Permanent Fund.

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US stocks

AEROSPACE & DEFENSE
 AIR TRANSPORTATION
 APPAREL & SHOES
 AUTOS, TIRES & RELATED PRODUCTS
 BANKS & OTHER FINANCIAL SERVICES
 BEVERAGES
 BROADCASTING & PUBLISHING
 BUILDING
 BUSINESS PRODUCTS & SERVICES
 CHEMICALS
 COMPUTER EQUIPMENT & SOFTWARE
 CONSUMER APPLIANCES & ELECTRONICS
 CONTAINERS
 COSMETICS & RELATED PRODUCTS
 DIVERSIFIED COMPANIES
 DRUGS & HEALTH CARE PRODUCTS
 ELECTRICAL EQUIPMENT & ELECTRONICS
 ENERGY SERVICES
 EXCHANGE TRADED FUNDS
 FOODS
 HOME FURNISHINGS
 HOSPITAL SUPPLIES & MEDICAL SVCS.
 INSURANCE
 LEISURE
 MACHINERY
 METALS & MINING
 MISC. CAPITAL GOODS & SVCS. CO
 MISCELLANEOUS CONSUMER DURABLES
 OFFICE EQUIPMENT
 OIL & COAL
 OTHER NON-OIL ENERGY SOURCES
 POLLUTION CONTROL
 PULP & PAPER
 RAILROAD EQUIPMENT
 REAL ESTATE INVESTMENT TRUSTS
 RESTAURANTS, FOOD SERVICE & LODGING
 RETAILING

Non-US stocks

AUSTRALIA
 AUSTRIA
 BELGIUM
 BERMUDA
 BRAZIL
 CANADA
 CAYMAN ISLANDS
 CHILE
 CHINA
 CROATIA
 CZECH REPUBLIC
 DENMARK
 EGYPT
 EURODOLLAR MARKET
 FINLAND
 * FRANCE
 GERMANY
 GREECE
 HONG KONG
 HUNGARY
 INDIA
 INDONESIA
 IRELAND
 ISRAEL
 * ITALY
 JAPAN
 LUXEMBOURG
 MALAYSIA
 MEXICO
 MOROCCO
 NETHERLANDS
 NEW ZEALAND
 * NORWAY
 PHILIPPINES
 POLAND
 PORTUGAL
 RUSSIA

SOAP & OTHER HOUSEHOLD PRODUCTS
SPECIAL TECHNOLOGY
TEXTILES
TOBACCO
TRANSPORTATION PRODUCTS & SERVICES
UIT/EQUITY
UTILITIES - ELECTRIC
UTILITIES - GAS
UTILITIES - MISCELLANEOUS
UTILITIES - TELECOMMUNICATIONS

SINGAPORE
SOUTH AFRICA
SOUTH KOREA
SPAIN
SWEDEN
* SWITZERLAND
TAIWAN
THAILAND
TURKEY
UNITED KINGDOM

The Alaska Permanent Fund

There are 65 investments for FRANCE. Back to stocks

Companies	Shares	Cost	Market Value	Unrealized Gain/Loss
ACCOR EUR 3.00	124,752	\$ 4,761,632	\$ 5,858,207	\$ 1,096,575
AIR FRANCE-KLM EUR 8.5 RFD	24,850	\$ 411,064	\$ 377,911	\$ (33,154)
AIR LIQUIDE EUR 11	44,523	\$ 5,203,013	\$ 7,597,255	\$ 2,394,243
* ALCATEL SA EUR 2.0 RFD	258,074	\$ 5,104,920	\$ 2,834,159	\$ (2,270,761)
ALSTOM EUR 0.35	898,309	\$ 1,099,135	\$ 891,892	\$ (207,244)
ATOS SA EUR 1.0 144A	12,003	\$ 745,010	\$ 761,542	\$ 16,533
AXA EUR 2.29 RFD	1,089,797	\$ 24,309,514	\$ 27,283,251	\$ 2,973,737
AXA EUR 9.15	0	\$ 2,023	\$ 2,023	\$ 0
BIC EUR 3.82	6,912	\$ 436,853	\$ 414,186	\$ (22,667)
BNP PARIBAS EUR 2.0	800,971	\$ 34,803,988	\$ 54,995,734	\$ 20,191,746
BOUYGUES EUR 1.00	548,162	\$ 14,929,702	\$ 22,763,953	\$ 7,834,251
BUSINESS OBJECTS EUR1.00	14,390	\$ 419,600	\$ 385,581	\$ (34,020)
CAP GEMINI EUR 8.00	130,686	\$ 6,296,650	\$ 4,158,407	\$ (2,138,244)
CARREFOUR EUR2.50	343,018	\$ 16,519,906	\$ 16,671,263	\$ 151,358
CASINO GUICHARD PERRACH RTS 08JUL05	7,626	\$ 0	\$ 0	\$ 0
CASINO GUICHARD PERRACHON EUR 1.53	7,626	\$ 394,762	\$ 536,009	\$ 141,247
CNP ASSURANCES EUR 4.00	7,221	\$ 336,640	\$ 463,967	\$ 127,327
COMPAGNIE DE ST-GOBAIN	63,936	\$ 2,260,163	\$ 3,553,592	\$ 1,293,430
CREDIT AGRICOLE SA EUR3	423,272	\$ 9,181,429	\$ 10,745,333	\$ 1,563,905
DASSAULT SYSTEMES SA EUR 1	43,313	\$ 1,984,387	\$ 2,100,503	\$ 116,116
ESSILOR INTL EUR 0.35 RFD	44,675	\$ 1,593,422	\$ 3,060,338	\$ 1,466,917
FRANCE TELECOM EUR 4.0	1,799,226	\$ 47,911,348	\$ 52,645,956	\$ 4,734,608
GECINA SA EUR 7.5	1,562	\$ 169,349	\$ 177,402	\$ 8,053
GROUPE DANONE EUR 0.5	170,362	\$ 9,809,372	\$ 15,003,327	\$ 5,193,955
GROUPE DANONE EUR1	0	\$ 7,700	\$ 7,700	\$ 0
HERMES INTERNATIONAL SA 144A	1,926	\$ 291,983	\$ 389,212	\$ 97,229
IMERYS SA EUR 2.0	99,164	\$ 6,849,010	\$ 6,852,603	\$ 3,594
KLEPIERRE EUR 4.0	4,809	\$ 249,722	\$ 460,625	\$ 210,903
L OREAL EUR 0.2	98,081	\$ 5,340,150	\$ 7,049,190	\$ 1,709,041
LAFARGE EUR 4.0	56,902	\$ 4,904,874	\$ 5,331,936	\$ 427,063
LAGARDERE SCA EUR 6.1 RFD	113,355	\$ 5,663,101	\$ 8,407,360	\$ 2,744,260
LVMH MOET-HENNESSY LOUI EUR 0.3 RFD	208,166	\$ 14,246,266	\$ 16,108,305	\$ 1,862,040
MICHELIN CGDE-B EUR 2.0	109,890	\$ 6,469,941	\$ 6,701,414	\$ 231,474
NEOPOST EUR 1.0	80,426	\$ 6,941,839	\$ 7,084,383	\$ 142,544
PAGESJAUNES SA EUR 0.2	26,218	\$ 634,308	\$ 612,992	\$ (21,317)
PERNOD-RICARD	79,579	\$ 5,922,079	\$ 12,721,570	\$ 6,799,491
PEUGEOT SA EUR1 (RFD 01/01/2001)	32,902	\$ 1,066,991	\$ 1,951,915	\$ 884,925
PPR SA EUR 4.0	14,011	\$ 1,194,629	\$ 1,447,505	\$ 252,876
PUBLICIS GROUPE EUR 0.4	28,595	\$ 864,600	\$ 845,836	\$ (18,764)

RENAULT(REGIE NTL EUR 3.81	38,586	\$ 1,958,392	\$ 1,06,800	\$ 1,448,409
SAGEM SA EUR 1.0	35,580	\$ 572,819	\$ 737,966	\$ 165,147
SANOFI-AVENTIS EUR 2.0	879,184	\$ 48,611,258	\$ 72,299,731	\$ 23,688,473
SCHNEIDER ELECTRIC SA EUR 8	243,990	\$ 15,832,087	\$ 18,435,325	\$ 2,603,238
SCOR SA EUR 3.81	145,532	\$ 292,754	\$ 292,730	\$ (24)
SOC GENERALE EUR 1.25	93,453	\$ 4,747,387	\$ 9,526,154	\$ 4,778,767
SOCIETE DES AUTOROUTES EUR 15.22493	4,708	\$ 241,913	\$ 252,758	\$ 10,846
SOCIETE DES AUTOROUTES PARI EUR 0.3	7,087	\$ 392,335	\$ 420,818	\$ 28,483
SODEXHO ALLIANCE EUR 4.0	19,878	\$ 643,795	\$ 617,014	\$ (26,781)
STE DES AUTOROUTES DU SUD FRF 100.0	12,030	\$ 318,801	\$ 689,194	\$ 370,393
SUEZ EUR 2.0	169,811	\$ 3,680,409	\$ 4,643,448	\$ 963,040
TECHNIP SA	18,046	\$ 533,470	\$ 838,790	\$ 305,321
TF1 - TV FRANCAISE EUR .20	24,496	\$ 711,452	\$ 652,119	\$ (59,334)
THALES SA EUR 3.0	15,954	\$ 529,050	\$ 649,051	\$ 120,002
THOMSON SA EUR 3.75 RFD	54,062	\$ 1,328,679	\$ 1,296,268	\$ (32,411)
* TOTAL SA EUR 10.0	497,343	\$ 70,891,471	\$ 117,041,214	\$ 46,149,744
TOTAL STRIP VVPR EUR 10.0	15,111	\$ 0	\$ 183	\$ 183
UNIBAIL EUR 5.0 RFD	76,428	\$ 2,749,191	\$ 9,837,151	\$ 7,087,960
UNION IMMOB FRANCE FF153.00	5	\$ 411	\$ 0	\$ (411)
VALEO SA EUR 3.0 RFD	13,787	\$ 737,999	\$ 619,485	\$ (118,515)
VEOLIA ENVIRONNEMENT 0.0 02NOV2005	64,212	\$ 1,575,517	\$ 2,416,222	\$ 840,706
VINCI EUR10	0	\$ 14,819	\$ 14,819	\$ 0
VINCI SA EUR 5.0	105,461	\$ 6,073,169	\$ 8,785,225	\$ 2,712,057
VIVENDI UNIVERSAL EUR5.50	981,878	\$ 31,696,339	\$ 30,990,183	\$ (706,156)
WENDEL INVEST CO EUR 4.0	67,300	\$ 5,215,359	\$ 5,584,181	\$ 368,823
ZODIAC SA EUR 0.2	75,151	\$ 3,849,302	\$ 4,039,272	\$ 189,971
		\$ 452,529,222	\$ 603,340,406	\$ 150,811,184

The Alaska Permanent Fund

There are 41 investments for ITALY. Back to stocks

Companies	Shares	Cost	Market Value	Unrealized Gain/Loss
ALLEANZA ASSICURAZ EUR 0.5	88,161	\$ 864,626	\$ 958,574	\$ 93,949
ARN MONDADORI EDIT EUR 0.26	25,648	\$ 97,048	\$ 244,556	\$ 147,508
ASSIC GENERALI SPA EUR 1	577,877	\$ 14,839,803	\$ 18,052,097	\$ 3,212,294
AUTOGRILL SPA EURO.52	24,597	\$ 237,337	\$ 324,625	\$ 87,289
AUTOSTRADE SPA EUR 1.0	60,300	\$ 1,117,841	\$ 1,603,328	\$ 485,488
BANCA ANTONVENETA SPA EUR 3.0	47,900	\$ 939,756	\$ 1,548,529	\$ 608,774
BANCA INTESA SPA EUR 0.52	688,445	\$ 1,824,286	\$ 3,155,061	\$ 1,330,775
BANCA INTESA SPA EUR 0.52	192,843	\$ 414,355	\$ 825,403	\$ 411,048
BANCA MONTE DEI PASCHI DI SIENA	227,800	\$ 659,481	\$ 804,844	\$ 145,364
BANCA NAZIONALE DEL LAVORO EUR 0.72	282,097	\$ 626,592	\$ 975,163	\$ 348,572
BANCHE POPOLARI UNITE SCRL EUR 2.5	70,132	\$ 1,076,472	\$ 1,392,620	\$ 316,149
BANCO POPOLARE DI VERONA E EUR 3.6	77,059	\$ 1,134,860	\$ 1,313,708	\$ 178,848
BCA FIDEURAM SPA EUR 0.26	61,269	\$ 342,130	\$ 291,175	\$ (50,955)
BCA POP DI MILANO EUR 3.0	81,380	\$ 348,432	\$ 803,553	\$ 455,121
BENETTON GROUP SPA EUR 1.3	12,472	\$ 132,430	\$ 115,146	\$ (17,284)
BULGARI SPA EURO 0.07	29,533	\$ 156,730	\$ 321,304	\$ 174,574
CAPITALIA SPA EUR 1.0	298,347	\$ 1,497,932	\$ 1,671,452	\$ 173,521
EDISON SPA EUR 1.0	191,000	\$ 330,114	\$ 425,524	\$ 95,411
ENEL SPA EUR 1.0	762,947	\$ 6,197,090	\$ 6,651,191	\$ 454,102
* ENI SPA EUR 1.0	2,327,941	\$ 30,403,882	\$ 60,065,896	\$ 29,662,014
FIAT SPA ORD EURS	107,685	\$ 1,415,423	\$ 783,615	\$ (631,809)
FINECOGROUP SPA EUR 1.0	34,515	\$ 885,597	\$ 310,798	\$ (574,799)
FINMECCANICA SPA EUR 0.22	4,925,382	\$ 4,454,154	\$ 4,606,923	\$ 152,770
GRUPPO EDITORIALE L'ESPRESSO SPA	39,800	\$ 369,337	\$ 217,819	\$ (151,519)
ITALCEMENTI	15,360	\$ 127,027	\$ 240,099	\$ 113,073
LOTTOMATICA SPA EUR 1.0	6,484	\$ 220,892	\$ 211,502	\$ (9,390)
LUXOTTICA GROUP EUR 0.06	28,464	\$ 501,168	\$ 590,373	\$ 89,205
MEDIASET EUR 0.52	550,001	\$ 6,588,056	\$ 6,486,270	\$ (101,787)
MEDIOBANCA INTL EUR 0.5	97,256	\$ 802,204	\$ 1,824,066	\$ 1,021,862
MEDIOLANUM EUR 0.1	52,914	\$ 362,006	\$ 331,234	\$ (30,773)
PIRELLI + CO EUR 0.52	612,168	\$ 655,549	\$ 638,926	\$ (16,623)
RAS EUR 0.6	62,763	\$ 646,266	\$ 1,222,735	\$ 576,469
SAN PAOLO-IMI SPA EUR 2.80	229,206	\$ 2,105,904	\$ 3,152,658	\$ 1,046,754
SEAT-PAGINE GIALLE EUR 0.03	938,950	\$ 131,062	\$ 392,224	\$ 261,163
SNAM RETE GAS SPA SAN DONAT EUR 1.0	203,563	\$ 629,876	\$ 1,090,402	\$ 460,527
TELECOM ITALIA DI RISP EUR0.55	1,224,793	\$ 1,713,205	\$ 3,188,407	\$ 1,475,203
TELECOM ITALIA MEDIA SPA EUR 0.03	258,177	\$ 385,777	\$ 124,416	\$ (261,362)
TELECOM ITALIA SPA EUR 0.55	5,560,077	\$ 16,271,600	\$ 17,368,930	\$ 1,095,330
TERNA SPA EUR 0.22	232,750	\$ 527,947	\$ 603,646	\$ 75,699

TISCALI SPA EUR 0.5	43,768	\$ 558,845	\$ 124,935	\$ (433,911)
UNICREDITO ITALIANO SPA EUR 0.5	3,936,360	\$ 18,498,774	\$ 20,816,143	\$ 2,317,370
		\$ 121,093,844	\$ 165,879,848	\$ 44,786,004

The Alaska Permanent Fund

There are 17 investments for **NORWAY**. Back to stocks

Companies	Shares	Cost	Market Value	Unrealized Gain/Loss
DNB NOR ASA NOK 10.0	339,730	\$ 1,687,302	\$ 3,547,898	\$ 1,860,596
FRONTLINE LTD	9,450	\$ 103,847	\$ 378,851	\$ 275,005
NORSK HYDRO ASA NOK 13.3	25,670	\$ 1,176,237	\$ 2,723,976	\$ 1,547,740
NORSKE SKOGSINDUST NOK 10.0	21,800	\$ 323,982	\$ 359,425	\$ 35,444
ORKLA ASA NOK6.25'A'	39,750	\$ 557,065	\$ 1,465,848	\$ 908,783
PETROLEUM GEO SVC ORD SHS	11,700	\$ 175,181	\$ 281,969	\$ 106,789
PROSAFE ASA NOK10	7,100	\$ 211,793	\$ 213,480	\$ 1,687
SCHIBSTED ASA NOK 1.0	10,100	\$ 163,111	\$ 278,182	\$ 115,071
SIMEDVIG ASA A SHARE NOK 10.0	8,400	\$ 88,574	\$ 170,306	\$ 81,733
* STATOIL ASA NOK 2.5	626,050	\$ 5,917,793	\$ 12,788,652	\$ 6,870,859
STOLT COMEX SEAWAY	40,400	\$ 325,579	\$ 369,364	\$ 43,786
STOREBRAND ASA NOK 5	54,800	\$ 306,350	\$ 513,596	\$ 207,247
TANDBERG ASA NOK1(NEW)	27,200	\$ 182,110	\$ 291,341	\$ 109,232
TANDBERG TELEVISION ASA NOK 2.0	12,700	\$ 146,683	\$ 157,893	\$ 11,210
TELENOR ASA NOK6.0	163,800	\$ 751,071	\$ 1,309,589	\$ 558,518
TOMRA SYSTEMS ASA NOK 1.0	45,850	\$ 325,077	\$ 189,426	\$ (135,652)
YARA INTERNATIONAL NOK1.70	43,350	\$ 231,070	\$ 689,854	\$ 458,785
		\$ 12,672,816	\$ 25,729,641	\$ 13,056,825

The Alaska Permanent Fund

 There are **38** Investments for **SWITZERLAND**. Back to stocks

Companies	Shares	Cost	Market Value	Unrealized Gain/Loss
ABB LTD CHF 2.5	411,030	\$ 3,896,807	\$ 2,695,911	\$ (1,200,897)
ADECCO SA CHF 1.0	303,928	\$ 12,981,619	\$ 13,868,714	\$ 887,095
ADECCO SA CHF10 (REGD)	0	\$ 2,191	\$ 2,191	\$ 0
CIBA SPECIALTY CHEMICALS AG CHF 3.0	14,200	\$ 923,627	\$ 832,131	\$ (91,496)
CIE FINANCIERE RICHEMONT AG ZUG	577,172	\$ 11,369,149	\$ 19,423,842	\$ 8,054,693
CLARIANT CHF 5.0	47,550	\$ 760,170	\$ 633,035	\$ (127,136)
CREDIT SUISSE GROUP CHF 0.5	751,636	\$ 21,251,657	\$ 29,736,950	\$ 8,485,293
CREDIT SUISSE GRP CAP 6.0 23DEC2005	651,000	\$ 451,166	\$ 715,336	\$ 264,171
GEBERIT CHF 10.0	2,988	\$ 1,910,422	\$ 1,925,358	\$ 14,937
GIVAUDAN SA COM CHF10	3,308	\$ 1,584,350	\$ 1,933,653	\$ 349,303
HOLCIM LTD CHF 2.0	303,454	\$ 15,817,356	\$ 24,343,734	\$ 8,526,379
KUDELSKI SA CHF 10.0	7,060	\$ 639,977	\$ 258,928	\$ (381,050)
KUONI REISEN HOLDING AG ZUERICH	600	\$ 147,753	\$ 243,852	\$ 96,099
LOGITECH INTERNATL CHF 0.5	17,600	\$ 301,674	\$ 566,191	\$ 264,517
LONZA GROUP AG ZUERICH NAMEN-AKT.	7,883	\$ 224,864	\$ 439,858	\$ 214,994
MICRONAS SEMICONDUCTOR HOLDING AG	6,900	\$ 309,556	\$ 261,303	\$ (48,254)
NESTLE SA CHF 1.0 (REGD)	187,440	\$ 38,298,207	\$ 48,426,219	\$ 10,128,012
NOBEL BIOCAPE HOLDING AG CHF 2.0	4,750	\$ 164,531	\$ 973,201	\$ 608,671
NOVARTIS AG CHF 0.5	1,343,779	\$ 53,396,363	\$ 64,150,857	\$ 10,754,495
PHONAK HOLDING AG	9,200	\$ 281,077	\$ 345,530	\$ 64,454
PSP SWISS PROPERTY AG ZU CHF 16.78	7,842	\$ 349,784	\$ 340,451	\$ (9,333)
RIETER HOLDING AG W CHF 10.0	1,100	\$ 284,308	\$ 307,918	\$ 23,610
ROCHE HLDG AG	515,186	\$ 44,204,827	\$ 65,258,465	\$ 21,093,639
SCHINDLER HOLDING CHF 1.0 PART CERT	1,105	\$ 171,590	\$ 401,595	\$ 230,006
SERONO SA B SHS CHF 25.0	3,511	\$ 2,406,879	\$ 2,247,742	\$ (159,137)
SGS SA CHF 20.0	955	\$ 433,155	\$ 659,709	\$ 226,554
SIG SCHW IND HG AG CHF 10.0	1,290	\$ 282,355	\$ 292,358	\$ 10,000
STRAUMANN HOLDING AG CHF 0.1	1,830	\$ 372,034	\$ 382,519	\$ 10,485
SULZER AG CHF 0.03	700	\$ 200,546	\$ 290,861	\$ 90,315
SWISS REINSURANCE CHF 0.1 REG	315,417	\$ 25,432,329	\$ 19,424,819	\$ (6,007,511)
SWISSCOM AG CHF 1.0	14,560	\$ 4,325,090	\$ 4,767,264	\$ 442,175
SYNGENTA AG CHF 8.3	53,917	\$ 1,626,910	\$ 3,493,131	\$ 1,866,221
THE SWATCH GROUP AG 2.25 CHF	6,900	\$ 517,294	\$ 971,443	\$ 454,149
THE SWATCH GROUP AG CHF 0.45	11,421	\$ 173,717	\$ 327,482	\$ 153,766
*UBS AG REGISTERED CHF 0.8	443,558	\$ 22,452,557	\$ 34,712,732	\$ 12,290,176
UNAXIS HOLDINGS CHF 20	1,179	\$ 252,256	\$ 162,024	\$ (90,233)
VALORA HOLDING CHF 10.0	710	\$ 126,186	\$ 160,911	\$ 34,725
ZURICH FINANCIAL SERVICES A CHF 6.5	68,202	\$ 12,300,446	\$ 11,758,415	\$ (542,031)
		\$ 280,824,764	\$ 357,806,614	\$ 76,981,850

The Claremont Institute

This is the print version of http://www.claremont.org/projects/invest_security/60mins040125.html.

"60 Minutes" Transcript Doing Business With the Enemy

Posted January 25, 2004

Lesley Stahl
Sunday, January 25, 2004

(CBS) Did it ever occur to you that when President Bush says, "Money is the lifeblood of terrorist operations," he's talking about your money -- and every other American's money?

Just about everyone with a 401(k) pension plan or mutual fund has money invested in companies that are doing business in so-called rogue states.

In other words, there are U.S. companies that are helping drive the economies of countries like Iran, Syria and Libya that have sponsored terrorists. Correspondent Lesley Stahl reports.

"The revenue that is generated from the work that these companies are doing, we believe, helps to underwrite and support terrorism," says William Thompson, the New York City comptroller who oversees the \$80 billion in pension funds for all city workers.

He says he wants everyone with a retirement or investment portfolio to know what these companies are up to: "We're going to increase the public visibility on this issue until these companies change their practices."

He's actually identified specific companies that have invested in these rogue countries, including Halliburton, Conoco-Phillips and General Electric. And he points out that New York's pension funds own nearly a billion dollars worth of stock in these three Fortune 500 companies, which have operations in Iran and Syria.

What was Thompson's reaction when he found out about this? "Anger that there were companies that could be contributing to attacks on our nation," he says. "You'd think to yourself, well, why would they do that? ... I didn't think they could. And more than anything it was, you thought, that the law prevented them from doing this." In fact, U.S. law does ban virtually all commerce with the rogue nations, but there's a loophole that G.E., Conoco-Phillips and Halliburton have exploited: The law does not apply to any foreign or offshore subsidiary so long as it is run by non-Americans.

"These three companies, as far as we were concerned, appear to have violated the spirit of the law," says Thompson. "In the case of Halliburton, as an example, they have an offshore subsidiary in the Cayman Islands. That subsidiary is doing business with Iran."

That subsidiary, Halliburton Products and Services, Ltd., is wholly owned by the U.S.-based Halliburton and is registered in a building in the capital of the Cayman Islands -- a building owned by the local Calidonian Bank. Halliburton and other companies set up in this Caribbean Island, because of tax and secrecy laws that are corporate friendly.

Halliburton is the company that Vice President Dick Cheney used to run. He was CEO in 1995 to 2000, during which time Halliburton Products and Services set up shop in Iran. Today, it sells about \$40 million a year worth of oil field services to the Iranian Government.

In the case of Iran, Thompson says they earn most of their revenues through their oil industry. So what is the connection between that oil business and terrorism and weapons of mass destruction?

"The Iranian Government is receiving dollars from it. And then turning around and exporting terrorism around the world. It benefits terrorism. At least that's our belief," says Thompson.

60 Minutes decided to ask Halliburton's subsidiary about its work in Iran. But we weren't allowed to enter the building with a camera. So we went in with a hidden camera, and were introduced to David Walker, manager of the local Calidonian Bank, where the subsidiary is registered. 60 Minutes was expecting to find a bustling business, but, to our surprise, Walker told us that while Halliburton Products and Services was registered at this address, it was in name only. There is no actual office here or anywhere else in the Caymans. And there are no employees on site.

We were told that if mail for the Halliburton subsidiary comes to this address, they re-route it to Halliburton headquarters in Houston.

"If you understood what most of these companies do, you would, they're not doing any business in Cayman per se. They're doing business, international business," says Walker. "Would it make sense to have somebody in Cayman pushing paper around? I don't know. And some people do it. And some people don't. And it's mostly driven by whatever the issues are with the head office."

Does that mean the head office is calling the shots? If it is, that would be against the law, which says the subsidiary must be completely independent of the U.S. company. But 60 Minutes' attempts to ask headquarters in Houston about this were rebuffed.

In a letter to New York City Comptroller Thompson, Halliburton says its Cayman Island subsidiary is actually run out of Dubai. 60 Minutes went there and learned that it shares office space, phone and fax lines with a division of its U.S.-based parent company -- which raises more legal questions about its independence from Houston. But once again, our inquiries went unanswered.

In its letter to Thompson, Halliburton insists it is complying with all U.S. laws. But he and legal experts we consulted believe they are dancing right along the edge of legality.

"If the intent was to try and prevent United States-based companies from doing business in these "rogue" nations, then it appears as if they've gotten around what the law had intended," says Thompson, who filed a shareholder's resolution calling on the company to review and justify its operations in Iran. "Halliburton attempted to block the shareholder resolution. They went to the SEC and asked for permission not to put this before shareholders." Did the SEC take it up and rule on it?

"Oh, absolutely. The SEC ruled against Halliburton and said that it had to be put in front of the shareholders," says Thompson, who plans to file the resolution at the next shareholders meeting in April.

He's also taking issue with GE and its electrical work in Iran, as well as Conoco-Phillips' gas production business in Syria: "If there are nations that wind up increasing their resources because these companies are doing business there, and we're attacked because of it, it in fact undermines our entire country."

Thompson says he decided to open the investigation in the first place at the request of New York City's police and firemen, who were outraged when they learned where their retirement money was going.

"The members of the Fire Department and the Police Department, after September 11th, given the fact that hundreds of them died in the World Trade Center as a result of a terrorist attack, had greater sensitivity than almost anybody," says Thompson. "And they were the ones who kind of took the lead on this."

But why do moral issues come into play when talking about pension funds?

"The way we've approached it isn't as on a moral basis, it is as investors," says Thompson. "And what is in the best long-term interests of our pension funds because we hold stock in these companies."

What these companies are doing, he says, isn't just a question of ethics - it's financially unsound, and bad for business.

Roger Robinson, who runs a research firm in Washington that monitors companies working in rogue states, agrees. He cites the case of Talisman Energy, whose reputation was damaged when it did business with the Islamic Republic of Sudan. The negative publicity led to something Wall Street calls "The Sudan Discount of Talisman Stock."

"In other words, the share value or stock price was depressed by some 20, 25 percent by some estimates," says Robinson, who believes that Halliburton and GE could face the same risk.

Robinson has identified nearly 400 companies that are in most pension portfolios that are doing business in terrorist-sponsoring states. Well over 200, he says, are actually doing business in Iran; of that, more than 60 are doing business in Libya.

He says the companies are funneling tens of billions of dollars worth of capital, technology and know-how to the state-owned oil and gas sectors of these two countries. Does he ever say to himself that by revealing this information, he's taking steps to hurt the company and hurt the pension fund?

"I think that it could be looked at another way. We're certainly alerting investors to a genuine new risk category in the markets, every bit as legitimate as environmental risk was through Three Mile Island, Exxon Valdez and superfund legislation," says Robinson. "So investors, we think, have a right to know. Remember, this is their retirement dollars. They should have a sense of those who invest on their behalf, are there genuine risks there?" With that question of risk in mind, state treasurers across the country, like David Peterson of Arizona, are using Robinson's database to investigate their pension portfolios.

"I want to find out what projects they're doing and what is specifically the dollars they're investing, where they're going," says Peterson.

Taken together, state-run pension investments amount to something like \$7-trillion dollars.

"Connecticut is working on it," adds Peterson. "I know Pennsylvania, their legislature passed unanimously that we need to screen, with the approval of their pension system, for these risks."

But some of the state treasurers are running into resistance from the pension funds. In Peterson's case, the Arizona State Retirement System refused to tell him anything about its holdings.

"I have asked the pension system. We'd like to know what investments you have, the scope of your investments, what companies you're involved with. We had a legislator ask," says Peterson. "We actually had an intern from this office ask about what investments holdings do they have in some of these companies. And they just didn't want to provide it to us."

And Peterson believes that they really don't have grounds to refuse to give him, as state treasurer, that information.

"They've more just kind of tried to be evasive, and said that it's too hard to get this information," he says.

This went on for months, but to our surprise, when we asked Arizona's pension fund managers for a list of its holdings, they gave it to us right away. And it confirmed what Peterson had suspected: that Arizonans unwittingly own stock in companies like Halliburton, General Electric and Conoco-Phillips.

"There's about 11 to 14 companies that are on the S&P 500 that are involved in some substantial projects with some of these countries," says Peterson.

Congress recently directed the Securities and Exchange Commission to monitor companies operating in rogue nations. But in New York, Comptroller Thompson isn't waiting. He says he's going to expand his investigation to include Boeing and other companies that do business in terrorist states.

"Those countries depend on dollars from us to live, to do business also," says Thompson. "If we have, and if we put pressure on the companies, and they can't do business there, and others become embarrassed in doing business or buying oil there, well maybe we can help to force these countries to change their practices."

Does he think this issue's going away?

"This issue isn't going to go away any time soon, at all," says Thompson.

Halliburton declined 60 Minutes' request for an interview, but in an e-mail, the company indicated it has no intention of leaving Iran -- or addressing the questions we raised about the independence of its subsidiary.

The company did suggest that Comptroller Thompson is playing politics with pension funds, insisting there is no connection between its operations in Iran and either terrorism or nuclear research.

As for General Electric and Conoco-Phillips, they say they are breaking no laws, and like Halliburton, make no apologies for their business dealings with states that sponsor terrorism.

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Alaska Permanent Fund Corporation

Analysis of HCR 27 - urging the APFC Board of Trustees to divest of companies invested in North Korea and Iran

Estimated initial costs of implementing a divestiture plan	\$19 million to \$37 million
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Estimated annual costs (including lost revenue) of implementing a divestiture plan	up to \$68 million
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Breakdown of initial costs of implementing a divestiture plan

	Estimated cost
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Equities portfolio restructuring

Convert commingled fund to separate account

Cap Guardian Emerging Market Growth Fund (EMGF) would need to be converted to a separate account to allow for customized policies. Since EMGF does not allow redemption of stock in kind, this would require complete liquidation of the portfolio and reinvestment into a new portfolio. Since this would need to be done as two separate transactions, the APFC would incur transaction costs twice. Since it is expensive to transact in emerging market stocks, the cost could range from 0.75% - 1.5% of portfolio value. Estimated transaction costs include commissions and market impact.

\$10 - \$20 million

Replace separate account manager if manager's strategy is not amenable to customization

Tukman - manages \$466 million large-cap value portfolio - all client portfolios managed in identical manner. If manager were replaced, transaction costs range from 0.25% to 0.50% of portfolio value.

\$1.1 - \$2.3 million

GEAM - manages \$622 million large-cap growth portfolio - all client portfolios managed in identical manner.

\$1.6 - \$3.1 million

Divestment costs for other separate accounts

The APFC does not know how much exposure, if any, to Iran and North Korea is present in each portfolio. Cost estimates are based on assumed exposure (number of stocks and transaction costs to replace stocks).

Active US Large-Cap Managers - active managers tend to hold positions 1% - 2% in size. If the manager needs to divest 5 stocks, this can result in 5% - 10% turnover in the portfolio. The aggregate value of APFC portfolios in this category is \$3,334 million (not including Tukman and GEAM).

\$0.8 - 1.6 million

Active US Small-Cap Managers - active managers tend to hold positions 1% - 2% in size. Such managers are likely less exposed to companies of concern. However, such managers are also allowed to invest in ADRs and might have foreign company exposure. Also, transaction costs for small-cap managers are higher, ranging from 0.75% - 1.5%. Thus, suppose such managers need to divest 2 stocks or 2% - 4% of their portfolio. The APFC has \$1,778 million in aggregate value.

\$0.5 - \$1.1 million

Active Non-US and Global Managers - active managers tend to hold positions 1% - 2% in size. Assume non-US managers need to divest 10 stocks, resulting in 10% - 20% turnover. Assume these stocks are not emerging market stocks. The aggregate value of APFC portfolios in this category is \$5,808 million.

\$2.9 - \$5.8 million



Alaska Permanent Fund Corporation

Analysis of HCR 27 - urging the APFC Board of Trustees to divest of companies invested in North Korea and Iran

Breakdown of initial costs of implementing a divestiture plan (cont.)

Active Emerging Market Managers - active managers tend to hold positions 1% - 2% in size. Assume such managers need to divest 10 stocks, resulting in 10% - 20% turnover. Transaction costs in emerging markets are higher, 0.75% - 1.5% of portfolio value turned over. The APFC has two separate accounts with aggregate value of \$400 million. The APFC also allows its developed market managers to hold up to 10% of their portfolio in emerging markets. This is another \$580 million in emerging market exposure.

\$1.5 - \$3.0 million

Passive index funds - highly diversified portfolios with average position size 0.20% for the S&P 500, 0.25% for the S&P 400 and 0.10% for the MSCI EAFE indexes. However, the APFC assets in these portfolios are large, \$4,566 million for the S&P 500, \$550 million for the S&P 400, and \$2,068 million for EAFE. If we assume a similar number of stocks need to be replaced, turnover would be 1.0% for the S&P 500, 0.50% for the S&P 400 and 1.0% for EAFE.

S&P 500

\$200,000

S&P 400

\$40,000

EAFE

\$100,000

Fixed income portfolio divestment costs are assumed as follows: Bonds equal 29% of \$33 billion in assets, conservatively that's \$9 billion. Thirty-five percent of bonds are issued by corporations and foreign governments. If 1% need to be divested, at a bid-offer spread of half of 1%, that's a loss of \$167,500. This money will then need to be reinvested, also at a cost of half of 1%.

\$335,000

Other Asset Classes - It is not clear what the impact would be on private equity and absolute return. It may require that the APFC get out of certain private equity and absolute return funds. There could be exit fees to do so. Private equity funds may need to be sold on a secondary basis. The APFC's REIT managers may also be impacted.

Unknown

Manager search costs

Replace existing managers that cannot customize product - the APFC would have to conduct at least two manager searches (to replace Tukman and GEAM). Each search has a consultant fee. Plus, staff due diligence and travel can cost \$5,000 - \$10,000 per staff person, per search.

Unknown

Legal costs

Three existing contracts would have to be rewritten to incorporate the new mandates. APFC uses outside counsel hired by the Department of Law to draft contracts. We estimate 2 days per contract at \$200 per hour. All remaining contracts would need to be amended, including private equity, absolute return and REIT managers. We estimate this would take a half-day per amendment.

\$40,800



Alaska Permanent Fund Corporation

Analysis of HCR 27 - urging the APFC Board of Trustees to divest of companies invested in North Korea and Iran

Breakdown of annual costs of implementing a divestiture plan

Information costs	Estimated cost
<p>Cost of information to determine whether companies have exposure to Iran and N. Korea. The accuracy of such lists cannot be verified in terms of whether companies are screened for whether their activities are humanitarian, authorized by the U.S. Agency for International Development or other U.S. Agency, or whether activities meet a materiality threshold. Managers could back-charge the APFC for the information</p>	
<p>Institutional Shareholder Services (ISS) ISS will charge a base fee for setting up a list specific to APFC's restrictions for \$12,000. This is required, but would be a one time cost. ISS will negotiate a rate depending on the number of managers purchasing the list. Based on the information provided we estimate a per manager cost of about \$5000 per year for 39 managers.</p>	\$207,000
<p>Conflict Securities Advisory Group C-SAG charges \$15,000 per manager to access their existing list of companies with ties to terror sponsoring states.</p>	\$585,000
<p>Management Fee Increases The fees for the Cap Guardian EMGF commingled fund (commingled with other large institutional clients under a single mandate) are netted from performance. Thus, the fees for this fund are not part of the APFC's annual budget. If the APFC had to make this a separate account, fees for this mandate would have to be added to the budget. Emerging market manager fees range from 60 bps - 80 bps. Thus, fees for this \$672 million portfolio would be \$4.0 mil - \$5.4 million.</p>	\$4.0 - \$5.4 million
<p>Existing managers that need to customize their strategy or replacement managers may charge higher annual fees:</p>	
<p>Passive equity index manager - assume manager increases fee by 1 basis point. Since the APFC has \$7,184 million in passive index assets, this would increase manager fees by \$0.72 million per year.</p>	\$720,000
<p>Active US equity managers (large and small-cap) - assume managers increase fee by 5 bps. Since the APFC has \$6,200 million in US equity assets, this would increase fees by \$3.1 million per year.</p>	\$3.1 million
<p>Active Non-US equity managers (global, developed and emerging) - assume managers increase fee by 10 bps. (Such firms may have more exposure in their portfolios and may experience a greater impact on how they manage their portfolios. They may need to find replacement stocks that they otherwise wouldn't have to worry about.) Since the APFC has about \$6,900 million in global and non-US equity assets. This would increase costs by \$6.9 million per year.</p>	\$6.9 million
<p>If Fixed income mgr fees rise by 5%, then that's an increase of \$400,000.</p>	\$400,000
<p>Other managers - private equity, absolute return, REIT managers may also have fee adjustments to compensate for additional work need to screen investments and identify alternative investments.</p>	Unknown



Alaska Permanent Fund Corporation

Analysis of HCR 27 - urging the APFC Board of Trustees to divest of companies invested in North Korea and Iran

Breakdown of annual costs of implementing a divestiture plan (cont.)

Impact on Returns and Risk

Approaches by stock manager:

Scenario A - manager replaces divested stock with less attractive stock. Managers strive to outperform their benchmark by 200 bp over time. They do so by building a diversified portfolio of stocks that meet their investment criteria. If a manager needs to divest a stock, it is likely that the manager must replace the stock with a less attractive stock. Suppose, the best replacement stock, keeping industry exposure the same, has an expected relative return (or alpha) that is 100 bp less than the original stock. Thus, for a portfolio that replaced 10% to 20% of the divested stock, the cost could be 0.10% - 0.20% in relative returns. (Relative returns would be worse by 10 - 20 bps.) The APFC has \$13 billion in active equities. **This would cost \$13 million - \$26 million in Fund value that would otherwise be generated per year.**

Potential loss in Fund value of \$13 - \$26 million

Scenario B - manager replaces stock with index ETF. Same situation as above except that the replacement stock generates no alpha. Thus, for 10% - 20% of portfolio, instead of generating 200 bp of alpha, the manager generates zero alpha. This reduces the manager's effective alpha to 160 - 180 bps. In dollars, for \$13 billion in active equities, **this would cost \$26 million to \$52 million in Fund value that would otherwise be generated per year.**

Potential loss in Fund value of \$26 to \$52 million

Scenario C - manager does not replace stock, resulting in more concentrated portfolio. While difficult to quantify, this would increase the risk level of the manager's portfolio (e.g., make it more volatile).

Unknown potential loss in Fund value

Approaches by Fixed Income managers:

Fixed income managers tend to hold less diversified positions than equity managers - each name in a portfolio is likely to be closer to 2%. Manager loses a meaningful part of it's capacity to diversify these parts of their portfolios.

Unknown potential loss in Fund value

Approaches by Private Equity and Absolute Return Managers:

The APFC may be ineligible to invest in certain private equity and absolute return manager funds. The impact on returns would be hard to quantify but it could result in the APFC portfolio having lower returns and/or higher risk.

Unknown potential loss in Fund value

General Consultant Costs

The general consultant may increase its fee to reflect its higher costs associated with monitoring the impact of divestiture. For example, for each manager running a customized strategy, that manager's performance would need to be compared to the non-customized strategy. The consultant would have to prepare analysis and report to the APFC board on a periodic basis.

Unknown

Operational Considerations that could affect the APFC Finance, IT, Training and Travel budgets

To be determined

Higher compliance costs - need to monitor manager holdings

May need to add staff with expertise

May need to develop or buy special software

Staff may need to undergo special training

Representative Jay Ramras
Co-Chair, House Resources
Co-Chair, Economic Develop.
Tourism & Trade
House State Affairs

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House District 10

House of Representatives

MEMO

To: House State Affairs Committee Members

Fm: Emily Stancliff

Cc:

Date: February 28, 2006, 3:06 PM

Re: HCR 27 Supporting Information

I have enclosed the following information, which was requested by committee members during the presentation of HCR 27 on Thursday, February 23rd:

- Overview packet for the Conflict Securities Advisory Group
- Written testimony from Adam Penner, Chief Operating Officer for CSAG
- Overview packet for the Center for Security Policy
- Mission statement / history for the Office of Foreign Assets Control
- Written testimony provided by Mead Treadwell, Senior Fellow, Institute of the North

Also included, is a proposed CS for HCR 27, which adds language to divest holdings in countries listed in Tier 3 of the most recent Trafficking in Persons Report.

The information contained in this memo is **CONFIDENTIAL** and/or privileged. This memo is intended to be reviewed initially by only the individual named above. If the reader of this page is not the intended recipient or a representative of the intended recipient, you are hereby notified that any review, dissemination, or copying of this memo or the information contained herein is prohibited. If you have received this memo in error, please immediately notify the sender by telephone and return this memo to the sender at the above address.

Thank you

Representative_Jay_Ramras@legis.state.ak.us

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Kane
2/28/06

CS FOR HOUSE CONCURRENT RESOLUTION NO. 27()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES RAMRAS, Holm

A RESOLUTION

1 **Urging the Alaska Retirement Management Board and the Alaska Permanent Fund**
2 **Corporation to divest all holdings in companies with business activities or holding**
3 **investments in Iran and North Korea or countries listed in Tier 3 of the most recent**
4 **Trafficking in Persons Report published by the United States Department of State.**

5 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 **WHEREAS** trafficking in persons is considered to be modern-day slavery, which
7 undermines the safety and security of all nations; and

8 **WHEREAS** terrorist states such as Iran and North Korea are a threat to the security of
9 the United States and the State of Alaska; and

10 **WHEREAS** this nation's largest and most prominent public pension systems tend to
11 be heavily invested in global publicly traded companies that have business activities in
12 terrorist-sponsoring states, including Iran and North Korea; and

13 **WHEREAS** the Center for Security Policy has identified that the Alaska Retirement
14 Management Board currently invests a sizeable percentage of its holdings in numerous
15 companies with ties to Iran and North Korea; and

1 **WHEREAS** the Alaska Permanent Fund Corporation invests and manages the assets
2 of the Alaska permanent fund and allocates a sizeable percentage of its investments in non-
3 United States stocks, including those identified by the Center for Security Policy as having
4 ties to Iran and North Korea; and

5 **WHEREAS** the Legislature of the State of Alaska finds it unconscionable for the
6 State of Alaska to invest in companies that provide revenue, advanced equipment, and
7 technology to nations that threaten our vital security interests;

8 **BE IT RESOLVED** by the Alaska State Legislature that the Alaska Retirement
9 Management Board and the Alaska Permanent Fund Corporation are strongly urged to divest
10 any holdings in any company doing business or holding investments in Iran and North Korea,
11 which are countries identified by the Office of Foreign Assets Control, United States
12 Department of the Treasury, as sponsoring terrorist activities, or in any company that fails to
13 certify under oath that it does not own or control any property, assets, or facilities located in,
14 provide goods or services to, obtain goods or services from, have distribution agreements
15 with, issue credits or loans to, purchase bonds or commercial paper issued by or invested in
16 Iran and North Korea or countries listed in Tier 3 of the most recent Trafficking in Persons
17 Report published by the United States Department of State or other list of countries prepared
18 by the United States Secretary of State under 22 U.S.C. 7107(b)(1)(C).



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Conflict Securities Advisory Group, Inc. (CSAG) is a Washington D.C.-based information provider and consulting firm that specializes in identifying and assessing global security-related risk factors primarily for institutional and individual investors. CSAG specializes in delineating and quantifying the most prominent of these new material market risks to assist the decision-making of asset managers, plan sponsors, individual shareholders and corporate governance executives. The company also offers information tools and advisory services for a range of clients within the financial services industry, government, the corporate sector and the foundation and public policy communities.

CSAG was founded in October 2001 to provide assessment tools and services that help the investment community and others understand the asymmetric risk factors associated with international terrorism, weapons of mass destruction and similar security-related considerations. Drawing on the professional experience of CSAG's senior staff, the company is uniquely equipped to analyze the relationship between global security issues and prospects for corporate share values and reputations.

In 2002, CSAG, together with the Investor Responsibility Research Center (IRRC), created the world's first global security risk assessment tool -- the "Global Security Risk Monitor" (Monitor). CSAG has since taken over this product in its entirety. The Monitor currently identifies and profiles some 400 publicly-traded firms that may be exposed to today's most prominent global security risks. This rich, on-line research tool is a necessary first step for serious investors seeking to evaluate risks to share value and corporate reputation associated with a company's operations in higher risk terrorist-sponsoring states.

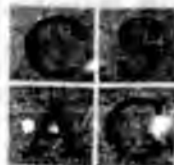
The impartial *Global Security Risk Monitor* offers a robust, layered risk assessment mechanism concerning certain international operations of publicly-traded companies. Of primary importance to investors are corporate operations in, or with, terrorist-sponsoring states and documented links to the proliferation of weapons of mass destruction and ballistic missile delivery systems. CSAG also provides sophisticated analyses and recommendations concerning how investors can interpret and react to such information in a manner that is nondisruptive to their portfolio objectives and fiduciary responsibilities. In this connection, CSAG offers a variety of customized *Global Security Risk Advisory Services* that are designed to equip fund managers and others with the insights and in-depth information required to manage this rapidly emerging risk category.

RWR Inc., where he served as Vice President. Mr. Pene earned his MA in International Economic Policy from the Elliott School of the George Washington University and a BA from Haverford College.

Mr. Andrew K. Davenport 
Vice President

Since 2001, Andrew Davenport has been steeped in the field of global security risk including a two-year association with the William J. Casey Institute. Mr. Davenport is a founding employee of CSAG, where his duties include corporate management, marketing and product development and maintenance. He earned an MA in Security Policy Studies from the Elliott School of International Affairs at George Washington University in May 2002 and a BS in Business Economics and Public Policy from Indiana University.

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ADVISORY SERVICES

Plan Sponsors Service Package

- Individual portfolio analysis, including tiered risk assessments
- In-depth analyses of specific portfolio companies
- Overview of developments in the field of global security risk at the national, state and local levels
- Preparation of "watch lists" of higher risk portfolio companies
- Access to senior CSAG executives
- Briefings for senior staff and boards of directors
- Evaluation of asset manager performance on global security risk

Asset Managers Service Package

- Individual portfolio analyses, including compliance considerations
- In-depth analyses of specific portfolio companies
- Guidance concerning communications with portfolio companies
Pre-investment selection services
- Assistance in responding to plan sponsor or state legislative inquiries
- Access to senior CSAG executives
- Training-oriented work shops on global security risk assessment

Corporate Service Package

- Analyses of downside corporate risks
- Preparation of corporate governance and communication strategies
- Industry peer risk evaluations
- Access to senior CSAG executives
- Conduct a work shop on global security risk
- Briefings for senior management and boards of directors

Foundation Service Package

- Security-minded review of the foundation's portfolio
- Preparation of "watch lists" on higher risk portfolio companies
- Formulation of options for investment policy adjustment
- Assistance in communication with portfolio companies on global security risk
- Access to senior CSAG executives
- Preparation of a report on developments in the field of global

security risk

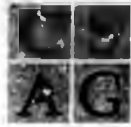
- Briefings for senior staff and boards of trustees

Government Agencies Service Package

- Preparation of a report on developments in the field of global security risk
- Analyses of government and regulatory responses to global security risk
- Industry-specific risk evaluations
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Global Security Risk Monitor Product Overview

This Overview is designed to help subscribers optimize their use of the *Global Security Risk Monitor (Monitor)*. The *Introduction* discusses the risk-related issues addressed in the *Monitor* and the professional research capabilities of Conflict Securities Advisory Group, Inc. (CSAG). The *Research Methodology* outlines the product deliverables, reviews CSAG's research and verification process and summarizes the specific elements of individual company profiles.

Introduction

The *Global Security Risk Monitor* is a user-friendly online service that identifies and profiles some 450 U.S. and foreign publicly traded companies with business ties to U.S. State Department-designated terrorist-sponsoring states or that have been publicly associated with the proliferation of weapons of mass destruction and ballistic missiles. The *Monitor* is designed to assist investors in identifying and evaluating "global security risk" associated with such business activities. Global security risk is defined as the risk to share value and corporate reputation stemming from a company's business activities in or with U.S. State Department-designated terrorist-sponsoring states or links to the proliferation of weapons of mass destruction and ballistic missiles.

In May 2001, the U.S. Securities and Exchange Commission (SEC) determined, "The fact that a foreign company is doing material business with a country, government, or entity on [the U.S. Treasury Department's Office of Foreign Assets Control] sanctions list is, in the SEC staff's view, substantially likely to be significant to a reasonable investor's decision about whether to invest in that company." Since that determination, investors have primarily focused on those companies with business activities in or with terrorist-sponsoring states. Conflict Securities Advisory Group, Inc. was formed to provide independent, expert research in this new field of risk.

Pursuant to Congressional legislation, the SEC has since opened an Office of Global Security Risk to ensure that companies under its jurisdiction properly disclose material information related to their activities in terrorist-sponsoring states. It should be made clear that, as part of its mandate, the Office of Global Security Risk will not provide a list of companies operating in Sudan or other terrorist-sponsoring states. SEC Deputy Director of Corporation Finance Shelley Parratt spoke to this matter in a letter to the Pennsylvania State Employees Retirement System in July 2004, stating "It would be inappropriate for [the SEC] to publish a list of companies whose securities might be deemed to involve terrorist-related investment risk without publishing corresponding lists for every other possible type of investment risk."

The methodological differences between the SEC's process and an independent research provider such as CSAG helps explain why investors cannot reasonably expect the Office of Global Security Risk to provide the type of data included in the *Monitor*. Unlike the SEC, CSAG identifies publicly traded

companies that have *any* type of business tie to terrorist-sponsoring states – no matter how large or small – thereby allowing the investor to differentiate among such companies and assess the risk. CSAG takes this approach, in part, based on the fact that investors concerned about the social relevance of holding companies with such business ties employ a different materiality threshold than the SEC.

SEC jurisdiction is relevant to this matter as well. The *Monitor* identified some 450 publicly traded companies that have business ties to terrorist-sponsoring states. Of those, the SEC only has jurisdiction over some 175 according to the SEC's List of Foreign Companies Reporting and Registering with the SEC. Were the SEC to determine that all of these companies had *material* ties to terrorist-sponsoring states, investors would still have to await disclosure by the companies and sift through corporate filings to develop an incomplete list of *less than half of those companies covered by the Monitor*.

Risk

Investors and corporations understand that company financials and share value can be affected by public perception of corporate activity and shareholder activism. For instance, in 1998, Nike Corp. suffered losses for the first time in more than a decade in the wake of allegations that the firm employed sweatshop labor in Asia. Industry experts also cite Talisman Energy of Canada as an example; the company experienced a "Sudan discount" to its share price for some three years due to divestment pressures arising from its operations in Sudan. Today, investors are increasingly under pressure to initiate corporate governance measures or divest all together for humanitarian reasons from companies operating in Sudan and, in some cases, any terrorist-sponsoring country.

While some investors choose to view companies profiled in the *Monitor* through a "socially-responsible" lens, others recognize that corporate ties to these countries introduce financial risks as well. For example, sanctions or other policies directed against a government regarded as a state sponsor of terrorism or violator of human rights can affect a firm's operations and performance, particularly if the firm in question has made significant investments in that country. Other risk factors include negative publicity, lawsuits and the possible diversion by the terrorist-sponsoring government of sensitive equipment and technology to non-civilian projects.

Professional Expertise

It is CSAG's view that when taking steps that can affect the fund performance, decision-makers benefit from data compiled -- and analysis provided -- by a professional research staff that specializes in global security risk. This is especially true given the dynamic nature of the information (i.e., companies are routinely developing or concluding business ties to terrorist-sponsoring states).

The *Global Security Risk Monitor* is designed to provide impartial, documented research that can be used by the investor in any way deemed appropriate (i.e., to assess risk, serve as a screen, inform corporate governance initiatives, etc.) The *Monitor* provides extensive documentation and analysis

that allows the investor to differentiate among companies based on the scope of their activities in these countries or the type of each firm's business tie. In the case of each company profiled, serious care is given to ensuring that the data is accurate, unbiased and includes as much relevant information as available. The methodology underpinning the *Monitor* research process and its updates is explained in greater detail below.

Research Methodology

CSAG's approach to collecting and presenting information in the *Global Security Risk Monitor* is based on two assumptions: first, that subscribers will benefit from a distilled, summarized presentation of relevant information with citations of specific reference materials; and second, that consistency in the procedures for compiling, validating and presenting information on each company is essential for providing usable data. The basic elements of the *Monitor* are as follows:

- **Company Lists and Company Profiles** are updated quarterly, with real-time additions or modifications as new data becomes available. There are two different types of company profiles included in the *Monitor*. The *Country Link* profiles provide information about company operations in terrorist-sponsoring states; the *Proliferation Link* profiles summarize publicly available information that links companies to proliferation issues.
- **Country Overviews**, updated annually, provide detailed, security-related background information on each of the six countries covered in the product—Iran, Libya, North Korea, Sudan, Syria and Saddam Hussein's Iraq.
- **Sectoral Analyses**, updated annually, review five broad economic sectors from a security perspective. Those companies profiled whose activities fall into one of the sectors covered may have more pronounced risk associated with their links to the countries noted above. The sectors covered are energy, finance, manufacturing, metals/mining, and telecommunications.
- **Proliferation and Terrorism Overviews**, updated annually, provide background information on these security issues.
- **Search Functions**, that allow the user to sort companies by type of business tie, keyword, country of domicile and company name.
- **Glossary** of key terms.

Company Lists and Company Profiles

CSAG consults numerous subscription databases and business intelligence sources to establish its database of companies operating in the countries tracked in the *Monitor*. CSAG also obtains information on business links to terrorist-sponsoring states through corporate filings, international newspapers, trade publications, magazines and directories. Whenever possible, CSAG relies on materials produced by companies themselves, including annual reports, filings with the Securities and Exchange Commission and corporate websites.

CSAG compiles information from these sources and then sends questionnaires to each of the parent companies profiled in the *Monitor*. Each questionnaire includes a draft profile of the company's ties to countries tracked in the *Monitor* and requests that the company verify or correct its profile. CSAG continues to employ an active corporate communications process to ensure the accuracy of the data.

CSAG developed the list of companies with reported links to proliferation-related concerns by consulting various databases and U.S. government lists of companies that have been cited for activities related to proliferation concerns. Only companies for which CSAG could find credible, public reports of such links are included in the *Proliferation Link* profiles.

The *Monitor* is likewise subject to a multi-tiered update and verification process. CSAG employs a team of researchers tasked with updating the content of those companies profiled in the product and are continuously seeking to identify U.S. and foreign publicly traded companies that establish a business tie to the countries tracked. When new entrants are identified, they undergo a thorough examination and research process, culminating with the corporate communication process described above. As part of the research process, CSAG has reviewed over 13,000 publicly traded companies worldwide.

References regarding the accuracy and utility of CSAG's products and services are available upon request.

Country Link

Country Link profiles assess companies that have business ties to terrorist-sponsoring states. Profiles are divided into several sections:

- The **Company Description** provides corporate contact information, website and stock identifiers (when available), as well as an overview of the firm.
- The **Tie Matrix** identifies the type of business tie each company has to each terrorist-sponsoring state in which it is active. Tie classifications include:
 1. **Equity Tie:** Company or subsidiary has employees or facilities physically located in the country.
 2. **Non-Equity Tie:** Company or subsidiary sells products or services to the country, purchases goods or raw materials from the country, or has distribution agreements with another party for the company's products in the country.
 3. **Other Tie:** Company ties that do not appear to meet the definition of either an equity or non-equity tie. One example would be a company that sponsored a booth at a trade show in the country.
- The **Overview of Operations** details the company's operations or sales in countries tracked by the *Monitor*. This section may include information about company subsidiaries or affiliates,

contracts, licensing, distribution or franchising agreements, and employees in terrorist-sponsoring states. Unless otherwise noted, company operations are assumed to be legal.

- The **Revenue and Financials** section provides data on the financial implications for the company and, when available, for the governments related to its operations in countries tracked by the *Monitor*.
- The **Points of Interest** section provides any information of note that defies other categorization. Information in this section may include references to sanctions against the company related to its operations in terrorist-sponsoring states, or corporate program or publicity that merit note.
- The **CSAG Security Analysis** provides a brief global security risk assessment of each company's operations in the countries tracked in the product. Risk assessments are based on the scope and type of the company's involvement in — or links to — each country. The company's operations may be designated as having risk, risk compounded by the company's presence in more than one country or security-sensitive sector, no apparent risk or insufficient information to determine the company's exposure to global security risk.
- The **Company Response** section provides company data in response to CSAG's questionnaire and any comments it may provide.

Proliferation Link

The *Monitor* identifies publicly traded firms that have been credibly linked to issues related to proliferation. Profiles provide a brief summary of the article and documentation. They also provide citations, when available, for additional articles linking the firm to proliferation-related concerns. Information tracked in this section includes news items related to fines for selling dual-use capable products without validated export licenses, U.S. federal investigations of possible illegal sales and the inclusion of the company on the U.S. Bureau of Export Administration's list of "foreign end users involved in proliferation activities."

Country Overviews

The Country Overviews provide users an in-depth description of the political and security dimensions of each terrorist-sponsoring state. Included in each description are: 1) a brief history of the country's political situation over the past 30 years; 2) a summary of why the country has been identified by the U.S. State Department as a state-sponsor of terrorism; 3) an overview of U.S. government-documented concerns related to the country's development and proliferation of weapons of mass destruction and ballistic missiles; and 4) a brief description of U.S. foreign policy with regard to the country. The Country Overviews are designed to help subscribers understand more fully these country-specific dynamics in their use of the research provided in the *Global Security Risk Monitor*.

Sectoral Analyses

CSAG assesses the security-related concerns specific to the energy, finance, manufacturing, metals/mining and telecommunications sectors of each terrorist-sponsoring state. Analyses regarding prospective large-scale revenue flows to these governments that may be used in a discretionary manner as well as examples of projects, facilities and items that may introduce "dual use" concerns (i.e., items that have both civilian and military applications) are included in this section.

Companies whose activities in these countries are associated with these sectors may have more pronounced risk. To assist subscribers in understanding more completely the company profiles and the CSAG risk assessment, the Sectoral Analyses provide details regarding the role of these sectors in the countries tracked by the *Monitor* and the potential security-related implications of sectoral activities. Please note that not all corporate activity in these countries is classifiable under the sectors covered in the *Monitor*.

Terrorism and Proliferation Overviews

CSAG provides a brief summary of concerns related to terrorism and the proliferation of weapons of mass destruction and ballistic missile delivery systems. The *Monitor* provides a definition of these two issues, reviews international and U.S. institutions and agreements that seek to address terrorism and proliferation information, including U.S. and international sanctions regimes and examples of corporate activity as it relates to these issues.

Client Feedback

CSAG is interested in your comments and suggestions. The *Monitor* is the first database and research tool of its kind, and we hope to increase its long-term utility with your input.

Staff

Research for the *Global Security Risk Monitor* is managed exclusively by CSAG. CSAG staff overseeing the product are Adam Pender and Andrew Davenport. Either can be reached at 202-223-8034.

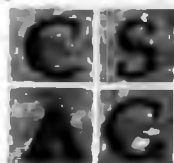
Disclaimer

Disclaimer: All company activities reported in the Monitor are assumed to be legal, unless otherwise noted. The Monitor does not make any value judgments concerning the presence and operations of those companies or presume any wrongdoing on the part of the companies profiled.

All company specific information was culled from publicly available sources or from the company itself. All companies profiled in the Monitor have been provided their profile and an opportunity to comment prior to publication. Company statements or responses, when provided, have been included in the product.

The Monitor was prepared for educational purposes, not to advocate any public policy position or to suggest any specific action or investment policy on the part of shareholders.

The Monitor is exclusively offered by Conflict Securities Advisory Group, Inc., a Washington-based risk management firm that provides specialized research and assessment services in the field of global security risk. While CSAG exercised due care in compiling information in this product, from time to time errors may occur. CSAG makes no warranty, express or implied, as to the accuracy, completeness or usefulness of this information, nor does it assume any liability with respect to the consequences of the use of this information. Changing circumstances may cause the information to be obsolete.



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Hon. Roger W. Robinson, Jr. 
President and Chief Executive Officer

Roger Robinson brings to CSAG twenty-five years of experience in identifying and analyzing international security risks. He was formerly Senior Director of International Economic Affairs at the National Security Council and Executive Secretary of the Cabinet-level Senior Inter-Governmental Group for International Economic Policy (SIG-IEP). Prior to his government service, Mr. Robinson was a Vice President in the International Department of the Chase Manhattan Bank with responsibilities for Eastern and Central Europe, Yugoslavia and the former Soviet Union. For the past eighteen years, Mr. Robinson has served as President and CEO of RWR Inc., a Washington-based consulting firm. Over this period, RWR Inc. has advised some of the world's leading energy, defense, aerospace, telecommunications and financial firms.

From 1996-2002, Mr. Robinson served as Chairman of the William J. Casey Institute of the Center for Security Policy, the nation's foremost public policy organization in the burgeoning field of the security dimensions of the global capital markets. Over the course of his association with the Institute, it produced hundreds of publications in the field of global security risk. It also successfully accomplished its *Capital Markets Transparency Initiative*, which sought to expand federal disclosure requirements for foreign companies seeking to raise funds in the U.S. capital markets.

Mr. Robinson presently serves as Chairman of the Congressionally-mandated U.S.-China Security Review Commission. He has frequently testified before Senate and House Committees and has made numerous media appearances, including all of the major broadcast networks, CNN and Fox. Mr. Robinson earned his MA in International Affairs from the Elliott School of the George Washington University and a BA from Duke University.

Mr. Adam M. Pener 
Chief Operating Officer

Adam Pener has been at the leading edge of the nexus between international security and the capital markets since 1997. In 2001, Mr. Pener authored a comprehensive report on the security dimensions of China's presence in the U.S. capital markets for the Congressional U.S.-China Security Review Commission (available at www.uscc.gov). He served as Senior Analyst for the William J. Casey Institute from 1997-2002 and divided his duties with

Written Testimony of Adam M. Perner, Chief Operating Officer
Conflict Securities Advisory Group, Inc.
Submitted to the Alaska House State Affairs Committee
February 27, 2006

Introduction

Thank you Mr. Chairman and Members of the Committee for this opportunity to submit written testimony regarding Alaska House Concurrent Resolution 27. By way of background, I am Chief Operating Officer of Conflict Securities Advisory Group, Inc. (CSAG), a Washington, DC-based independent research provider that specializes in identifying and assessing U.S. and foreign publicly traded companies that have business activities in or with Iran, North Korea, Sudan, Syria and Libya.

To my knowledge, CSAG's *Global Security Risk Monitor* (Monitor) online database of public companies with such business ties is the only one of its kind. Our clients include the U.S. Securities and Exchange Commission (SEC), the Department of Defense and the Department of State as well as dozens of asset management firms, mutual fund providers and universities. CSAG also provides products and services to prominent public pension systems including the New York City Employees Retirement Systems, the Missouri State Employees Retirement System and the Office of Arizona State Treasurer David Petersen.

Over the past year, investors and state legislatures have increasingly sought to restrict investment in companies with business ties to Sudan and/or other terrorist-sponsoring states. As a for-profit, impartial research firm, CSAG neither supports nor opposes HCR 27. Likewise, our firm, as a matter of corporate policy, does not take a position on how our data should be used by clients.

Rather, CSAG seeks to provide impartial information that allows investors and their asset managers to conduct expanded due diligence in the area of global security risk.¹ Recently, CSAG's research has also been employed by asset management firms to comply with new investment restrictions and by some firms that are offering "Terror-free" or "Sudan-free" products (i.e., mutual funds, indices or similar investment options that screen-out companies with business ties to Sudan or other terrorist-sponsoring states).

I have submitted to the Committee a detailed Product Overview that provides additional background on our firm and describes our research methodology and verification processes. More information on CSAG as well as a "Free Trial" of our database can be found at www.conflictsecurities.com.

Testimony Content

CSAG believes that its extensive experience in helping pension systems and asset management firms comply with legislative requirements, investment mandates and corporate governance

¹ CSAG was established following a determination by the SEC in May 2001 that corporate ties to U.S.-sanctioned countries, including U.S. State Department-designated terrorist-sponsoring states, can be material to investors. This new risk category was termed "global security risk," or the risk to a company's share value and corporate reputation stemming from its business activities in or with terrorist-sponsoring states. The majority of CSAG's clients use the data to identify portfolio companies that may be exposed to global security risk and to help assess such risks.

initiatives will assist the Committee in its deliberations with respect to HCR 27. At the request of the Committee, I am pleased to offer testimony that will:

1. Address the issue of whether data is available that would allow the Alaska Permanent Fund (APF) and Alaska State Pension Investment Board (ASPIB) to comply with HCR 27;
2. Provide a cost estimate for implementation; and
3. Address the issue of "divestment costs" associated with liquidating the stock of companies with ties to Iran or North Korea.

Before continuing, I should note that CSAG's experiences in this field have produced results that differ from those foreshadowed by Ms. Achee during her testimony of February 23. I hope that Ms. Achee, the Committee and the Alaska Permanent Fund will accept my apology if any of these differences were a result of my inability to articulate properly the capabilities of our firm and CSAG's pricing models during my call with her of Wednesday, February 21.

List of Companies

In the event that APF and ASPIB are required to screen out companies with business activities in Iran or North Korea, the question has been raised as to how the Funds could identify the relevant companies.

I respectfully disagree with APF's suggestion that the Federal Government via the SEC -- rather than private research firms -- should be looked to as a source to identify and publish a list of companies that have business ties to terrorist-sponsoring states. Both the SEC and the Treasury Department -- in public statements and in letters to public pension systems -- have made clear that the government cannot, and will not, provide a list of companies that do business in terrorist-sponsoring states. There are several reasons why the government has been firm on this matter.

Legality of Operations

The USG can (and does) provide investors with a "do not buy" list of companies that have engaged in illegal terrorism-related or sanctions-violating activity. The vast majority of companies with ties to Iran, North Korea and other terrorist-sponsoring states, however, maintain such operations legally (i.e., these companies are not in violation of U.S. sanctions and are not directly supporting terrorism). The USG has made clear that it will not provide a list of companies that *legally* do business in terrorist-sponsoring states.

This is likely why U.S. Treasury Spokesman Taylor Griffen, in response to pension system requests for a government-identified list of these companies, stated in an Associated Press article dated July 8, 2003: "[Divesting from companies with ties to terrorist-sponsoring states is] not a question of regulation, but of policy, and we would leave that for the states to decide." (See Attachment I.)

Global Security Risk

While pension systems can legally invest in these companies, such investments can still introduce risk to the investor. In that connection, it is the job of the federal government to ensure that companies disclose via public filings all activities that could negatively affect share value.

It is not the responsibility of the federal government, however, to provide a list of companies that could be risky investments. SEC Deputy Director Shelley Parratt said as much in a letter to Nick Maiale, Chairman of the Pennsylvania State Employee's Retirement System (PSERS) dated July 28, 2004 (see Attachment 2):

"It would be inappropriate for [the SEC] to publish a list of companies whose securities might be deemed to involve terrorism-related investment risk without publishing corresponding lists for every other possible type of investment risk."

Values-Based Investing

Interestingly, HCR 27 speaks to neither the legality of these investments nor the risk factors they involve. Rather, it reflects the view of a growing number of individual investors and public pension systems that a company's willing to do business in terrorist sponsoring states runs counter to their personal values or beliefs, or those of their constituencies. This is commonly referred to as "values-based investing." For example, investors routinely avoid investing in companies that promote tobacco, gambling, firearms or alcohol – *not because it is illegal or risky to invest in such companies*, but because the investor is seeking to align their personal values with their financial goals.

This "values-based investing" issue lies at the heart of HCR 27. Apparently, some state legislators believe that Alaskans simply do not want to invest in companies with business ties to Iran or North Korea.

It is important to note that this position is perfectly within the rights of the investor or, in this case, the state of Alaska. **In no case, however, will the USG tell an investor whether or not to establish such "values-based" investment restrictions or provide a list of such companies.** In fact, Ms. Parratt goes on to say in the aforementioned letter: "It would also be inappropriate for [the SEC] to engage in any activity that might be construed as providing investment advice."

As Mr. Griffen and Ms. Parratt make clear, it is not possible for the government to provide a list of companies that have legal ties to terrorist-sponsoring states. The USG is likewise restricted from providing a list of companies that may be exposed to global security risk. This might help explain why the SEC looks, in large part, to CSAG to make these identifications through a subscription to our *Monitor* product.

Availability of "Divestment Lists"

Finally, the APF has correctly pointed out that companies such as CSAG do not promote the use of their data as a "divestment list." This is due to the fact that our database is designed to be a comprehensive research tool that includes information on a variety of corporate ties to Iran and North Korea. *Whether the specific business activities of companies in terrorist-sponsoring states meet Alaska's threshold for divestment should be up to the State and its Funds to determine, not CSAG or the federal government.*

Accordingly, subscribers are welcome to interpret CSAG's data in any way they deem indicated – including to develop screens or implement a divestment policy.

Cost of Data

Naturally, there would be modest costs involved should APF and ASPIB decide to identify or screen out companies that do business in Iran and North Korea.

- A standard subscription to CSAG's full *Monitor* database and research is \$15,000 per year. This option is widely used by clients who wish to access our comprehensive data on the activities of publicly traded companies in Iran, North Korea, Sudan, Syria and Libya.
- If the Committee (or APF and ASPIB) wanted to determine how many APF and ASPIB holdings would be affected by the HCR 27 restrictions, CSAG could provide a "Certification Report," including sample company profiles, for \$3,500.

HCR 27 Implementation

In the event that APF and ASPIB establish investment restrictions on companies with business ties to Iran and/or North Korea, implementation could be approached in several ways. For example, the Funds could allow their asset managers to comply independently with state law by purchasing their choice of research products – which is the process being employed by Illinois.

Based on our understanding of the concerns raised by APF and ASPIB regarding how an Iran and North Korea screen would be configured, CSAG believes a more "top-down" approach of the type described below might yield a higher level of uniformity in the data used by asset managers.

Specifically, CSAG could work with APF and ASPIB to configure a custom screen for Iran- and North Korea-linked companies that would involve the formulation and maintenance of a "do not buy" list based on CSAG's research. This single, statewide list would then be available to asset managers for the consistent application of state law. For example:

- The Funds would review CSAG's data and establish a "do not buy" list of companies that meets Alaska's specifications. (Please note that such a list could exclude companies that, for example, only have humanitarian ties to these countries.)
- Determine an agreed, discounted price point for CSAG to provide the Alaska custom screen to all APF and ASPIB asset managers, including regular updates of the list.
- Managers that are already subscribers to CSAG's *Monitor* product would be able to employ the Alaska screen at no cost.
- The Alaska Funds would have access to the custom screen at no cost to assist the process of overseeing their managers.

While I cannot provide a firm price point for such a custom screen at this time, I am confident that CSAG would be able to execute this proposed process for substantially less than the APF-estimated price-tag of between \$207,000 and \$585,000 annually.

Specifically, I would estimate that CSAG's custom screen proposal for Alaska would be priced between \$2,000-\$3,000 annually, per manager. The exact price point would depend on the number of asset management firms that would require ongoing access to the custom screen.

Accordingly, I would anticipate the entire set of deliverables described in this implementation scenario to cost Alaska's asset managers *cumulatively less than \$100,000* per year. In the event that Alaska's asset managers were required to implement a screen, the cost estimates I have provided would likely represent less than one quarter of one percent of the APF's FY06 budget for asset managers (i.e., based on APF's estimates, asset managers will collectively receive \$46.6 million from Alaska in 2006, while requiring a budget of less than \$100,000 to comply with HCR 27).

Finally, the APF stated in its testimony that the costs associated with this type of screen will be passed back from the asset manager to the pension funds. Again, this has not been our experience. For example, in the case of Sudan divestment legislation in Oregon and Illinois, it was stipulated that the costs of setting up screens were to be borne by the asset manager. In working with Illinois asset managers, I have received no indication that these firms planned to charge their pension system clients for minor expenses incurred in establishing a Sudan screen.

The Performance Costs of Divestment

On Sunday, February 19, the *New York Times* ran an article on the Illinois divestment legislation (see Attachment 3). Despite the fact that the legislation affects some 10 public pension systems with more than \$120 billion in assets under management – as well as over 150 asset managers ranging in size from small, local firms to some of the biggest names in the business – the *Times* article made no mention of any financial losses incurred by Illinois pension systems as a result of this policy.

Practical experience also casts doubt with respect to anticipated losses stemming from divestment of a relatively small number of companies. Specifically, CSAG's data is licensed by The Roosevelt Investment Group (Roosevelt), a New York-based asset management firm. Roosevelt uses CSAG's database to exclude from of its Bull Moose Growth Fund all companies identified by CSAG as having business ties to any terrorist-sponsoring states. Not only has Roosevelt been able to avoid "divestment losses" since employing its screen, but it has outperformed the S&P 500 by a substantial margin.

Oregon likewise does not expect to lose money in employing a Sudan screen for its public funds. According to a recent Socialfunds.com article (see Attachment 4),

"Oregon law goes a step further than Illinois law, requiring institutional investors' asset managers to prevent negative financial impacts on the portfolio when divesting. 'What I'm hearing from [asset management firms], though, is that this is not very difficult --they've been able to reposition their portfolios without a lot of adverse impact,' Ms. Ivy [of Institutional Shareholder Services] concluded."

Naturally, there may be performance or transitional losses associated with disinvestments from companies with business activities in Iran or North Korea. However, practical experiences in Illinois, Oregon and elsewhere suggest that it is highly unlikely that Alaska would lose between \$19 and \$39 million – as predicted in APF's testimony – were they to implement this type of screen.

Conclusion

In closing, I would note that Alaska is not alone in considering this issue. In addition to three states that have already enacted legislation that establishes investment restrictions on companies with business activities in Sudan, published reports indicate that as many as five states are expected to introduce divestment legislation this spring targeting companies that do business in any terrorist-sponsoring state.

Should Alaska choose to restrict APF and ASPIB from investing in companies with ties to Iran and North Korea, it is my view that CSAG could help the Funds develop and implement such a screen on a cost-effective and relatively non-disruptive basis.

I would be pleased to discuss this matter further with the Committee and/or Alaska's Funds. Also, I would recommend that the Committee look to the following experts and public officials for additional information on those matters raised in my testimony:

1. **New York City Comptroller William Thompson:** Comptroller Thompson can be reached via Pat Doherty, 212-669-2651 or pdoherty@comptroller.nyc.gov.
2. **Missouri Treasurer Sarah Steelman:** Treasurer Steelman can be reached through Mark Mathers (see below).
3. **Nell Minow:** Expert on Corporate Governance and President of The Corporate Library, nminow@thecorporatelibrary.com.
4. **Mark Mathers:** Director of Investments for the State of Missouri and Board Member for the Missouri Investment Trust, 573-751-8530 or Mark.Mathers@treasurer.mo.gov.
5. **Steven Schoenfeld**:** Chief Investment Strategist for Quantitative Investments for Northern Trust, (212) 339-7102 or ss146@ntrs.com.
6. **Tony Malaj:** Chief of Staff for Arizona Treasurer David Petersen, 602-604-7809 or tonym@treasury.state.az.us.

** As noted in the attached *New York Times* article, Mr. Schoenfeld is responsible for implementing six "Sudan-Free" indices for Northern Trust that already have over \$8 billion in assets under management – mainly from Illinois pension systems that are required to divest from companies operating in Sudan. CSAG has spoken with Mr. Schoenfeld and received no indication that Northern Trust's "Sudan-Free" indices are experiencing sub-standard performance.

Mr. Schoenfeld is one of the country's leading thinkers on indexed funds and should be able to shed additional light on whether divestment and/or the development of "Iran- and North Korea-Free" indices would have the negative financial impact predicted by the APF in its testimony.

Attachment 1

Pa. to Explore Whether It Invests in Terror

By Marc Levy

The Associated Press State & Local Wire

Harrisburg, PA

July 8, 2003

With lawmakers worried that some state assets might indirectly be financing terrorism, legislative staffers plan to explore a contract with a Washington, D.C., firm that identifies publicly held companies that have business with countries identified by the federal government as sponsors of terrorism.

Ultimately, the staff of the Legislative Budget and Finance Committee hopes to compare the state's investments - including approximately \$70 billion invested by Pennsylvania's treasury and the two largest public pension systems - with the firm's database and present the findings to the General Assembly.

The effort comes despite the misgivings of state Treasurer Barbara Hafer, who maintains that the federal government is best equipped to offer such guidance.

Neither the Securities and Exchange Commission nor the U.S. Treasury, however, is prepared to do so, spokesmen said.

"It's not a question of regulation, but of policy, and we would leave that for states to decide," U.S. Treasury spokesman Taylor Griffin said. And as long as companies disclose to shareholders activities that could affect their financial health, the SEC is satisfied, said spokesman Herb Perone.

It's not clear what the General Assembly would do with the information.

In late 2001, the House passed a bill to bar state assets from being invested in any corporation that does business in countries identified by the United States as sponsors of terrorism. The bill died in the Senate.

Still, Pennsylvania is not alone in its introspection. State treasurers in Arizona and Nebraska are pushing for a similar review of their state's assets.

In Pennsylvania, a House resolution that passed unanimously May 7 directed the review, saying corporations could help fuel terrorists' sponsoring countries and such a connection could also threaten the value of an investment in those corporations.

Last week, the Legislative Budget and Finance Committee, which serves both chambers

of the Legislature, authorized its staff to look into a contract with Conflict Securities Advisory Group. The firm is believed to be the only one with a database of companies that do business with countries - Iran, Iraq, Libya, North Korea, Sudan, and Syria - identified by the U.S. State Department as state sponsors of terrorism that have weapons of mass destruction programs.

American companies are barred by federal law from doing business with or in those countries, but their foreign subsidiaries can be exempt in some cases, and foreign companies are not subject to the U.S. laws.

Conflict Securities Advisory Group drew up the database with the Investor Responsibility Research Center, a for-profit firm also based in Washington. The database identifies about 375 firms - about 35 of which are American - that have business dealings in or with the sanctioned countries, said Adam Pender, the chief operating officer for Conflict Securities.

Those companies include such large and widely traded firms as Exxon Mobil Corp., General Electric Co., ChevronTexaco Corp., and Halliburton Co., according to the research center.

Pender noted that some of the companies on the list sell consumer goods and have a relatively small amount of money invested, while other companies may have large-scale projects that introduce "dual-use technologies" that send millions of dollars to those governments.

Iraq is still on the list, although most sanctions against the country have been dropped since American-led forces ousted Iraqi President Saddam Hussein.

Attachment 3

How States Are Aiming to Keep Dollars Out of Sudan

By Carla Fried
The New York Times

February 19, 2006

THE latest American initiatives to put pressure on the government of Sudan are centered many thousands of miles away from its capital, Khartoum. A handful of state legislatures in the United States have passed laws that bar their public pension funds from investing in companies with ties to Sudan, which has been accused of extensive human rights abuses in a long-running civil war.

The United States State Department has also labeled Sudan a state sponsor of terrorism.

While a 1997 executive order by President Bill Clinton bars American companies from conducting business in Sudan — except for a few technical exceptions, like a humanitarian mission — foreign businesses do not fall under that restriction. But in this age of global asset allocation, it is not uncommon for investors in the United States to have a link to Sudan through foreign stock holdings. Such foreign holdings would be the most affected by the recent state legislation.

The New Jersey Legislature passed a law in August that requires its public pension funds to divest itself of holdings in businesses that have equity stakes, including investments, facilities or employees, in Sudan. A similar law went into effect in Illinois last month, requiring its pension funds to be fully divested of any company with a Sudan tie by July. Oregon has also passed such a law for its public investment funds, while Louisiana has approved legislation that permits, but does not require, its public funds to shed investments linked to Sudan.

In December, the biggest public pension hammer, the California Public Employees Retirement Plan, or Calpers, took aim at three companies in which it has invested. The Calpers board voted 9 to 2 to call for the companies, ABB, Alcatel and Siemens, to cease business operations in Sudan.

A Calpers spokesman said that "our board believes that an engagement process with the companies is the best avenue if we are going to effect some change." Last week, Calpers reported that the three companies would not sever their Sudan ties; Calpers is considering its next step.

Phil Angelides, the California state treasurer and a Calpers board member, says he is prepared to pursue divestment if those companies do not pull out of Sudan. "The U.S.

government has told Americans to have no business in Sudan," he said, "so why should California invest in companies that are supporting the regime?"

Spokesmen for the three companies say that leaving Sudan would do more harm than good. Ron Popper, a spokesman for ABB, for example, said the company had sought comment from many individuals and organizations within Sudan. "We have unanimously heard one message: do not withdraw because the country needs international investment," Mr. Popper said.

The states have left it to their money managers to figure out who belongs on the divestment list. Money managers have relied on private research firms that scour publicly available documents, trade journals and news accounts, and that conduct independent research to compile databases of companies involved in Sudan. Among the firms providing this research are KLD Research and Analytics, Institutional Shareholder Services and the Conflict Securities Advisory Group.

For example, KLD started its Sudan Compliance Service last November. Noel Friedman, managing director of KLD, said that 124 companies were currently on its Sudan list, including eight American businesses that he declined to name.

The lists, however, are far from definitive. Some companies that appear on them declare that they do no business in Sudan, and for at least one, 3M, the involvement was described by the company as aiding the United Nations. A spokesman at 3M said the United Nations bought 3M's Scotchshield Ultra Safety and Security Film, used to protect windows.

Steven Schoenfeld, chief investment strategist for quantitative investments at Northern Trust, is responsible for determining the companies his firm will exclude from the six "Sudan free" index funds it has started for institutional clients, including the State of Illinois. More than \$8 billion of Illinois pension money has already moved into the six portfolios.

Mr. Schoenfeld's goal is to track closely the performance of traditional indexes even after he has removed stocks with ties to Sudan. He says his fund that tracks the MSCI EAFE index, a popular benchmark for developed countries across Europe and Asia, as well as Australia, will pose his biggest challenge. He said that more than 25 companies, representing more than 9 percent of the index's market capitalization, could be booted from the fund.

Among the big names that could be dropped from the portfolio are Royal Dutch Shell, which represents more than 2 percent of the EAFE index; Total, the French energy giant, about 1.5 percent; Toyota, about 1 percent; and Siemens of Germany and Ericsson of Sweden, both about 0.5 percent.

The six Northern Trust funds are to complete Sudan divestment by the summer.

While Sudan has been in a two-decades-long civil war that has claimed thousands of lives through fighting and famine, the state initiatives picked up momentum after Colin L. Powell, then the secretary of state, said in late 2004 that the United States viewed violence in the Darfur region of western Sudan as genocide.

Agreement over the gravity of the situation in Sudan has not meant a united push for divestiture. It stalled in the Arizona Legislature and didn't get far in Maryland. William C. Thompson, the New York City comptroller, has identified 24 stocks in the city pension system's holdings in which the parent company has some operations in Sudan. A spokesman for Mr. Thompson said his preferred course — echoing the stance of Calpers and others — was discussion with those companies, not divestment.

Mutual funds that call themselves socially responsible routinely screen out companies that they regard as having poor records on humanitarian issues and thus have generally avoided investing in companies with Sudan ties. But Julie Gorte, director of social research at Calvert Investments, which specializes in socially responsible funds, says she can still appreciate the complexity of the issue.

"You have to ask yourself what your goal is with divestment," she said. "What's there if the government falls? Is there a government there that will take over and be better? If the companies that pull out provide money, goods and services, is there an understanding that will make the people poorer in the short run?"

Before the states' recent push, there were other moves to exert pressure. In 2002, Talisman Energy of Canada decided to end its Sudan investment after American investors steeply discounted its stock. In 2000, many college endowments and public pension funds, including Calpers, did not participate in the initial public offering of PetroChina, a subsidiary of the China National Petroleum Company, because of PetroChina's involvement in oil extraction from Sudan.

THE nation's largest mutual fund companies have remained on the sidelines so far. A spokesman for Vanguard said it was "taking an 'analyze and see' approach before making any broad policy changes to either our internally or externally managed funds," while a spokesman for Fidelity said the Sudan issue was not currently a concern.

The \$9 million Bull Moose Growth fund, which calls itself a "terror free" fund, is an exception. The investment manager relies on a database, maintained by the Conflict Securities Advisory Group, that tracks public companies with business ties to countries designated as state sponsors of terrorism; about 450 companies are listed in Conflict Securities' global security risk monitor, including about 120 with ties to Sudan. The fund's gain of 12.8 percent in 2005 was more than double that of the Standard & Poor's 500-stock index.

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DIVISION OF
CORPORATION FINANCEUNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

July 28, 2004

Nick Malala, Chairman
Commonwealth of Pennsylvania
State Employees' Retirement System
30 North Third Street
P.O. Box 1147
Harrisburg, PA 17108-1147

Dea. Mr. Malala:

Thank you for your June 29th letter to Chairman Donaldson regarding your interest in the work of our new Office of Global Security Risk. In your letter, you express your desire to avoid investing the pension assets under your control in companies whose operations might directly or indirectly support terrorism. You indicate that you would like the SEC to publish a list of companies whose securities involve investment risk arising from terrorist-supporting activity by the companies or their affiliates and indicate that our doing so would provide a valuable service to your fund and many other public pension funds.

We certainly can appreciate your desire to invest in a manner that will both minimize the investment risk to your pensioners and promote our nation's security interests. We share your concern that American investors not unwittingly finance corporate operations they would deem to be contrary to our national interest. For this reason, the review staff of the Division of Corporation Finance makes every effort to ensure that the documents companies file with this agency include full disclosure of all material information regarding terrorism-related and other global security risk-related issues. The new Office of Global Security Risk will work closely with the review staff to make sure that our front-line reviewers are apprised of all significant developments in this area, and that we maintain the highest standard of review in considering these issues. Our mission, and our commitment, is to ensure that the investing public has all the information about public companies that a reasonable investor would consider important in deciding whether to buy or sell securities.

In light of the public trust we hold, it is crucial to the successful execution of our mission that we not engage in any activity that might give the appearance of bias or partiality in the performance of our duties. It would be inappropriate for us to publish a list of companies whose securities might be deemed to involve terrorism-related investment risk without publishing corresponding lists for every other possible type of investment risk. It also would be inappropriate for us to engage in any activity that might be construed as providing investment advice. In our view, a far more workable approach,

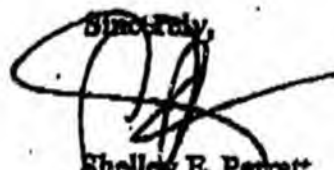
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Nick Mizala, Chairman
Commonwealth of Pennsylvania
State Employees' Retirement System
Page Two

even in these times of heightened concern about terrorism-related and other global security-related investment risk, is for the staff to continue to pursue the best disclosure possible, so that the publicly available documents on file with this agency will give pension fund managers and other investors ready access to all of the information they need about any public company to make a fully informed investment decision.

I hope this information is helpful to you. I very much appreciate your letting us know your views. As we go forward in addressing global security risk related issues, it is helpful to hear from all interested persons so that we can best fulfill our mission of investor protection.

Sincerely,

Shelley E. Parratt
Deputy Director

Attachment 4

KLD and ISS Offer Research Tools for Divesting from Sudanese Genocide and Terrorism

by **Bill Baue**
SocialFunds.com

February 7, 2006

The KLD tool focuses narrowly on the Illinois law mandating divestment from companies doing business with the Sudan; the ISS tool focuses beyond divestment and on other state sponsors of terrorism.

SocialFunds.com -- Late last month, Illinois Senate Bill 23 entered into force as the "Act to End Atrocities and Terrorism in the Sudan." The Act requires Illinois state pension funds to divest from companies doing business with the Sudan, which has been identified by the US State Department as a perpetrator of genocide and a state sponsor of terrorism.

Illinois is joined by five other states (Arizona, California, Louisiana, New Jersey, and Oregon) using public pension investments to influence global human rights abuses in Sudan and elsewhere. With five more states (New York, Maryland, North Carolina, Texas, and Vermont) headed in the same direction, the need for research on companies with ties to rogue countries such as the Sudan has suddenly arisen.

KLD Research & Analytics and Institutional Shareholder Services (ISS) have stepped up to fill this need. In fact, KLD had already developed a tool for assessing company involvement in the Sudan when it received a request for proposal (RFP) from the Associated Illinois Pension Systems, according to Randy O'Neil, KLD's managing director of global sales.

"They wanted to identify a single list of companies operating in the Sudan so that all their managers would be on the same page instead of one manager using one list and another manager using another list and having to figure out which list is more accurate," Mr. O'Neil told SocialFunds.com. "We went out to Chicago to present to the pension boards, and less than a day later they came back to us with a positive response."

The KLD Sudan Compliance Service draws on the traditional socially responsible investing (SRI) practice of exclusionary screening based on ethical criteria.

"A company is either in Sudan or it isn't: determining that is our job," said Peter Kinder, founding president of KLD. "Of course, the root cause of the screen is ethical: the Darfur and Southern Sudan genocides."

It also harkens back to the 1980s and '90s when SRI staked its moral claims and proved the efficacy of its strategies by spearheading the campaign to divest from companies doing business in apartheid South Africa, which Nelson Mandela credited with helping topple apartheid.

"The vast majority of clients are using this product strictly for divestment purposes in response to the recent law passed in Illinois, but we also have some clients that are using our tool to try to understand better what is the best strategy for addressing the gross human rights violations going on in the Sudan," said Mr. O'Neil.

While the Illinois statute that the KLD tool is tailored to stipulates divestment, other states' directives include divestment as one potential response but prioritize comprehensive reporting on corporate involvement in the Sudan as well as other state sponsors of terrorism. ISS designed its compliance tool accordingly.

"It's not just a Sudan issue--two of these states, Arizona and Louisiana, also cover the other countries with State Department sanctions for sponsoring terrorism," said Nahla Ivy director of environmental and social analytics at ISS. "Our net is cast wide in terms of trying to find out what the nature of any company ties are to these countries, which include Libya, Syria, Cuba, Iran, and North Korea."

ISS, which initiated its "sanction/terrorism" research stream in 2001, defines two levels of company involvement in these countries. The first level, labeled an "equity tie," applies to more direct involvement such as on-the-ground facilities and employees.

"If you're operating there, whether or not you're contracting directly with the government, you're providing revenues to the government, which then enhances civil unrest or even genocide," Ms. Ivy told SocialFunds.com.

The second level, called a "non-equity tie," applies to less direct involvement, such as distributing products or services through a third party or foreign subsidiary. And ISS research delves even deeper than this second level.

"If companies are distributing humanitarian products or services to a country, we separate that out to call attention to the fact that they are benefiting people in the region," Ms. Ivy told SocialFunds.com. "Illinois has an exclusion for companies doing only humanitarian activity, but if they are also doing a revenue generating activity, then those companies would appear on Illinois' forbidden entity list."

Oregon law goes a step further than Illinois law, requiring institutional investors' asset managers to prevent negative financial impacts on the portfolio when divesting.

"What I'm hearing from them, though, is that this is not very difficult--they've been able to reposition their portfolios without a lot of adverse impact," Ms. Ivy concluded.

Mission of the Center for Security Policy

To promote world peace through American strength.

"Through the years, the Center for Security Policy has helped ensure a vigorous national security debate and, in so doing, has strengthened our national security, with energy, persistence and patriotism."

- Secretary of Defense Donald Rumsfeld
4 March 2001

The Center for Security Policy has, since its founding in 1988, operated as a non-profit, non-partisan organization committed to the time-tested philosophy of promoting international peace through American strength. It accomplishes this goal by stimulating and informing national and international policy debates, in particular, those involving regional defense, economic, financial and technology developments that bear upon the security of the United States.

The Center specializes in the rapid preparation and real-time dissemination of information, analyses and policy recommendations via e-mail; distribution; computerized fax; its exciting, redesigned Web site; published articles; and the electronic media. The principal audience for such materials is the U.S. security policy-making community (the executive and legislative branches, the armed forces and appropriate independent agencies), corresponding organizations in key foreign governments, the press (domestic and international), the global business and financial community and interested individuals in the public at large.

The Center is aided immeasurably in the performance of its mission thanks to the active participation of a sizeable network of past and present, civilian and military security policy practitioners. By drawing on the experience, judgment and insights of these accomplished individuals, the Center is able to maximize the quality of its inputs into the policy-making process. This structure also permits the Center to operate with an extremely small core staff and great cost-effectiveness.

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The People at the Center

Staff

Frank J. Gaffney, Jr., President. Mr. Gaffney formerly acted as the Assistant Secretary of Defense for International Security Policy during the Reagan Administration, following four years of service as the Deputy Assistant Secretary of Defense for Nuclear Forces and Arms Control Policy. Previously, he was a professional staff member on the Senate Armed Services Committee under the chairmanship of the late Senator John Tower, and a national security legislative aide to the late Senator Henry M. Jackson.

Michael Reilly, Vice President for Operations Mr. Reilly is engaged in the Center's long-term strategic planning and manages its day-to-day operations and staff. He arrived at the Center following service as a Major in the United States Marine Corps. While a Marine, Mr. Reilly held fellowships with the Center and with the office of Congressman Jerry Lewis. He is a veteran of the liberation of Iraq.

Alex Alexiev, Vice President for Research. During nearly 20 years as a senior analyst with the national security division of the Rand Corporation, Alexiev directed numerous research projects for the Department of Defense and other agencies. He is the author of several books and myriad monographs and articles on national security issues. His present research focuses on issues related to Islamic extremism and terrorism.

J. Michael Waller, Ph.D., Vice President for Information Operations. A journalist and author, Dr. Waller brings expertise in terrorism, intelligence, the former Soviet Union and the Americas. He has covered wars and political violence in five countries, has written for *Insight* magazine, *Reader's Digest*, the *Washington Times* and the *Wall Street Journal* and has served as a consultant to the U.S. Department of State. He holds a Ph.D. in international security affairs from Boston University, and is a former staff member of the United States Senate.

Christopher Holton, Vice President for Administration, Marketing & Development. Holton comes to the Center after serving as president and marketing director of Blanchard & Co. and editor-in-chief of the Blanchard Economic Research Unit from 1990 to 2003. As chief of the Blanchard Economic Research Unit in 2000, he conceived and commissioned the Center for Security Policy special report *Clinton's Legacy: The Dangerous Decade*. Holton is a member of the Board of Advisers of WorldTribune.com.

David McCormack, Senior Research Associate. Mr. McCormack assists the President with research and the drafting of policy publications on a range of national security issues. He has authored book chapters and other research publications on various topics, and his articles have appeared in national and international publications such as the *Washington Times*, the *Jerusalem Post*, the *Baltimore Sun*, and the *Wall Street Journal Europe*. McCormack is a graduate of the George Washington University with a degree in history and international affairs.

Ryan Peterson, Research Associate. Mr. Peterson's research focuses on energy security issues and American sovereignty. His work on such topics has been published by *FrontPageMagazine.com*. Peterson is a

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graduate of Wheaton College with a degree in international relations.

Olivia Albrecht, John Tower Fellow. Ms. Albrecht's research focuses on immigration issues and the Islamist phenomenon. Her work on such topics is published regularly by *FoxNews.com*. Albrecht comes to the Center following internships with the Pentagon (Non-Proliferation Policy) and the Heritage Foundation. She is a graduate of Princeton University with a degree in Philosophy.

Robert T. McLean, Research Associate. Mr. McLean researches an array of foreign affairs and national security issues, and is a frequent contributor to *FrontPageMagazine.com*. He is a graduate of Lafayette College with dual degrees in history and government/law.

Lisa Firestone, Executive Assistant to the President. Ms. Firestone assists the President with event coordination, fundraising and development, and office management. Prior to arriving at the Center, she worked in the field of asset management and public policy. Firestone is a graduate of both Duke University with a B.A. in English and Economics, and the New York Institute of Finance.

Center Fellows

Roger W. Robinson, Senior Resident Fellow. An indispensable part of the Center for Security Policy from its founding, Robinson has served as an original member of the National Security Advisory Council, chairman of the Center's William J. Casey Institute and long-time member of the Center's Board of Directors.

Robinson was vice president in the International Department of the Chase Manhattan Bank and senior director of International Economic Affairs at the National Security Council under President Reagan. At present, he is chairman of the congressionally mandated, bipartisan U.S.-China Economic and Security Review Commission (www.uscc.gov).

Caroline Glick, Senior Fellow for Middle Eastern Affairs. Chicago-born Caroline Glick is deputy managing editor of the *Jerusalem Post*. A former officer in the Israel Defense Forces, she was a core member of Israel's negotiating team with the Palestinians and later served as an assistant policy advisor to the prime minister. During Operation Iraqi Freedom, the widely-published Glick was an embedded journalist with the U.S. Army's Third Infantry Division. She was awarded a distinguished civilian service award from the U.S. Secretary of the Army for her battlefield reporting.

Eugene Novikov, Ph.D., Senior Fellow for the Islamist Project. Born in Kyrgyzstan of Russian parents, Novikov is a former Soviet Communist Party International Department operative, and is a noted expert on Islam and the politics and economics of the Persian Gulf region. He established close relationships with leaders across the Islamic world. Following his defection to the United States in 1988, he served on the faculty of the U.S. Naval War College and the George C. Marshall Center for Security Studies. He is the former director of the International Terrorism Program at the Jamestown Foundation.

Major Stephen Newsome, USMC. Maj. Newsome is the Marine Corps National Fellow for 2005-2006. He comes to the Center following a joint assignment advising the Iraqi Ministry of the Interior on the rebuilding of Iraq's police forces. He is currently completing coursework for a Masters degree in security policy at George Washington University's Elliot School of International Affairs.

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CENTER FOR SECURITY POLICY

CSP Newsletter :

Message from the President



At this writing, the Center for Security Policy is undergoing an exciting transition.

Loosely modeled after the legendary Committee on the Present Danger - a non-partisan coalition of prominent Americans who in the 1970s challenged the view that détente with the Soviet Union was a viable basis for American security - the Center has been a forceful, and often lonely, voice of reason and realism in recent

years.

Like the Committee on the Present Danger, too, the Center helped preserve a sense of identity and community among like-minded security policy practitioners, awaiting a day when many of them would be called upon to serve once again in government. That occurred in the Reagan Administration in which many members of the Center held senior posts.

Happily, that day has now arrived for the Center for Security Policy and its associates, as well.

An early member of the Center's Board of Advisors, Richard Cheney, is now Vice President of the United States. President Bush appointed a distinguished recipient of the Center's Keeper of the Flame Award, Donald Rumsfeld, to be his Secretary of Defense. And Secretary Rumsfeld and his counterparts elsewhere in the government have invited an extraordinary number of members of the Center's National Security Advisory Council and others of the Center's colleagues to serve in top positions in the U.S. government.

With the return of such highly qualified, skilled and principled men and women to high office in the U.S. government, the Center for Security Policy looks forward to playing a new and, we hope, even more influential role in the years ahead. To be sure, the Center will remain a source for ideas, information and recommendations associated with promoting the policies of peace through strength. The presence in government of so many of those who broadly share the Center's commitment to this philosophy - and who have, over the years, helped us in advancing it - should, however, enable the Center to direct less energy towards the inside-the-Beltway debate and more to educating and engaging the American people and friends of freedom around the world.

The need for such an initiative, of course, has become both glaringly apparent and intensely urgent in the wake of the 11 September 2001 attacks and the war on global terrorism they precipitated. Accordingly, we intend to redouble our efforts in Washington, across the United States and internationally.

In this connection, we are beginning some dramatic changes in our products and the means by which they are made available - notably, via a vastly more useful and user-friendly new Web site (www.CenterforSecurityPolicy.org). We believe that the cumulative effect of these efforts, together with improved governance in Washington, will greatly improve the prospects that the United States will continue to enjoy the fruits of peace and prosperity made possible, in no small part, by its vigilance and strength.

Frank J. Gaffney, Jr.

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The Office of Foreign Assets Control ("OFAC") of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction. OFAC acts under Presidential wartime and national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze foreign assets under US jurisdiction. [\(more\)](#)

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The Office of Foreign Assets Control ("OFAC") of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries, terrorists, international narcotics traffickers, and those engaged in activities related to the proliferation of weapons of mass destruction. OFAC acts under Presidential wartime and national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze foreign assets under US jurisdiction. Many of the sanctions are based on United Nations and other international mandates, are multilateral in scope, and involve close cooperation with allied governments.

Our History

The Treasury Department has a long history of dealing with sanctions. Prior to the War of 1812, Secretary of the Treasury Gallatin administered sanctions imposed against Great Britain for the harassment of American sailors. In 1861, during the Civil War, Congress passed a "Trading With the Enemy Act," which prohibited transactions with the Confederacy, called for the forfeiture of goods involved in such trade, and provided a licensing regime under rules and regulations administered by Treasury. The Trading With the Enemy Act of 1917 ("TWEA") made that Civil War legislation "modern" for World War I.

OFAC is the successor organization to the Office of Foreign Funds Control (the "OFFC"), which was established at the advent of World War II following the German invasion of Norway in 1940. The OFFC's initial objective in acting under TWEA was to prevent Nazi use of occupied countries' holdings of foreign exchange and to prevent forced repatriation of funds belonging to nationals of those countries. These controls were later extended to protect assets of other invaded countries. After the United States formally entered World War II, the OFFC became the major American program of economic warfare against the Axis powers, blocking enemy assets and prohibiting foreign trade and financial transactions. Those assets would also serve as a future source of war reparations. The OFFC program was administered by the Secretary of the Treasury throughout the war.

OFAC itself was formally created in December 1950, following the entry of China into the Korean War, when President Truman declared a national emergency under TWEA and blocked all Chinese and North Korean assets subject to U.S. jurisdiction.



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OFAC Country Sanctions Programs

Program Last Updated:

Balkans Sanctions	05/29/2003
Burma Sanctions	08/16/2005
Cote d'Ivoire (Ivory Coast)	02/08/2003
Cuba Sanctions	02/22/2005
Iran Sanctions	07/06/2004
Iraq Sanctions	07/21/2005
Liberia Sanctions	04/26/2005
Libya Sanctions	09/20/2004
North Korea Sanctions	08/18/2000
Sudan Sanctions	06/15/2005
Syria Sanctions	01/18/2006
Zimbabwe Sanctions	08/03/2005



OFAC List-Based Sanctions Programs

Program Last Updated:

Anti-Terrorism Sanctions	02/19/2006
Counter Narcotics Trafficking Sanctions	11/30/2005
Non-proliferation Sanctions	02/10/2006
Diamond Trading Sanctions	07/29/2003



Archive of Inactive Sanctions Programs

Inactive Since:

Information on the first Iraq Sanctions Program	Components still active in the Iraq II program
Libya Sanctions Program Information	09/20/2004
Sierra Leone Program Brochure 	07/29/2003
Taliban Program Brochure 	07/02/2002
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Yugoslavia Program Brochure 	05/21/2003

**Testimony by Mead Treadwell, Senior Fellow, Institute of the North
Before the House State Affairs Committee, Juneau, AK , February 23, 2006
On HCR 27, Urging the Alaska Retirement Management Board and the Alaska
Permanent Fund Corporation to divest all holdings held in companies with business
activities or holding investments in Iran and North Korea**

Mr. Chairman, I am Mead Treadwell. I reside at 528 N Street in Anchorage and am a Senior Fellow at the Institute of the North, and direct the Institute's Defense and Security Program.

The Institute was founded by former Alaska Governor Walter J. Hickel to help develop policy on issues strategic to Alaska and its future. For close to ten years, Mr. Chairman, the Institute of the North has worked with other national, international and state based think tanks on the proposition that action at the state level can help improve the security of the United States.

Should state governments be concerned about national security? Absolutely. In Alaska, we understand our geographic position. We understand our role in hosting the military and sending our sons and daughters overseas to protect us. We understand we are the closest state to North Korea and in their sights. We understand the Alaska pipeline is a terrorist target, and we understand our energy helps America diversify its supply. We also need to understand our role, as an investor, in providing funds to parts of the world that could or would do harm to us.

With the Center for Security Policy in Washington, the Claremont Institute in California, the Institute of Foreign Policy Analysis at Tufts University, and others, we have helped the nation understand Alaska's vital role in U.S. security and we have helped Alaskans play a more effective role.

As an aside, Mr. Chairman, I should say the current divestment campaign on terrorism, Sudan slavery, and national security issues is a coalition of left and right, labor and business. The firms and institutes mentioned today are very fine, patriotic people.

As far back as 1996, the Institute of the North began looking at missile threats to Alaska and the position of the U.S. government then, which was not to include Alaska under the umbrella of a proposed ballistic missile defense system. It was a resolution of the Alaska Legislature in 1997 which called for a new intelligence estimate on missile threats to Alaska. That resolution, Senator Ted Stevens told us, resulted in the Rumsfeld Commission. Over several years, we shifted U.S. policy to build a system in Alaska – not for our economy, but for our protection. We have hosted a continuing series of follow-up conferences on these issues, involving many of your present and former colleagues.

Mr. Chairman, there's one conclusion we've found in every meeting we've had assessing the threats to the United States: terrorism and nuclear threats run on

money. Terrorism finds refuge in states with regimes that support terrorists. Money, usually outside money brought in from the world market economy, either as investment or trade, is the mother's milk of terrorism.

Alaska's major funds – the Permanent Fund and our pension funds could find themselves unwitting players in this process. This resolution calls for a stop to that by a simple, inexpensive process that several other states and leading pension funds have taken on to review their portfolios.

I was able to see a copy of the document circulated by the Permanent Fund Corporation at the last meeting of this committee. Mr. Chairman, what I saw is a scare tactic – a huge price tag meant to dissuade you and this committee from passing a resolution that would free Alaskans from the concerns that their Permanent Fund might be supporting terrorism.

Between the last meeting and this, we were in contact with the Conflict Securities Advisory Group, one of several firms states and pension funds have hired to review their portfolios against concerns they are unwittingly investing in terrorism or nuclear threats to the United States.

This firm has told me that they would be able to offer the State of Alaska a full screening service for its Permanent Fund and the state pension fund for a discounted rate of \$5000. Mr. Chairman, before this legislature concludes its business this spring, I believe you could be aware of how many stocks and of what value Alaska's portfolio is exposed through investments in companies doing business in terror sponsoring states.

The term exposure is not one I use lightly. While some investment funds have cautioned that divestment of stocks investing in terrorist states could lose them money, I believe this process reduces the risk that the stocks would take a sharp fall. Several firms, such as General Electric and Conoco Phillips, because of concerns raised like those in this resolution, have themselves divested activities in Iran, for example, to make sure they are not exposed. Shouldn't we be doing the same thing?

My point is this: reviewing our portfolio costs very little. Divestment can happen over time, as other states have allowed. This is a resolution, Mr. Chairman, not a law, and the Permanent Fund – with oversight from this legislature – can commit itself to a process of monitoring its investments for national security and divesting overtly. They have chosen not to do so, and I believe you should help them change their mind.

As a college student, I was a member of Yale University's board which oversaw that endowment's divestment policies, during the era of divestment campaigns and apartheid. (Yale's endorsement has had outstanding returns without turning a cold shoulder to examining issues like these.) Today, as a private venture

investor, I chair a publicly listed company. I am well aware that fund managers seek the broadest leeway to invest – and for many years I have actively supported taking away strictures on the Permanent Fund's capabilities to seek the highest return.

But Mr. Chairman, a little advice now and then from the owners is not a bad thing. Our Institute's founder, Wally Hickel, has urged us to fulfill our responsibilities as an owner state. I think this resolution puts forward an appropriate action for Alaska. As a citizen, I thank Rep. Hamras, his colleagues, and, I trust, this committee for its leadership.

I am happy to answer any questions.

Center for Security Policy

From SourceWatch

Center for Security Policy was founded in 1988 and states that it operates as a non-profit, non-partisan organization committed to the time-tested philosophy of promoting international peace through American strength.

[1] (<http://www.centerforsecuritypolicy.org/index.jsp?section=static&page=abouts>)"

A very influential organization with the Center for Security Policy is the Center's National Security Advisory Council, whose members hold senior positions with the Bush administration.

Center for Security Policy has strong ties with the Republican Party with many members serving senior posts in the Reagan administration and George W. Bush administration. Donald Rumsfeld, current Secretary of Defense under Bush, is a recipient of the the Center's Keeper of the Flame Award. The Center is not shy in touting its strong ties with the U.S. Government.

[2] (<http://www.centerforsecuritypolicy.org/index.jsp?section=static&page=message>)[3] (<http://www.centerforsecuritypolicy.org/index.jsp?section=static&page=nsac-gvtsvc>)

- Elliott Abrams, Special Assistant to the President for National Security Affairs for Democracy, Human Rights and International Operations
- Devon Gaffney Cross, member, Defense Policy Board
- Jack D. Crouch II, Assistant Secretary of Defense for International Security Policy; nominated January 31, 2005, to be Assistant to the President and Deputy National Security Advisor
- Mitchell E. Daniels, Jr., former Director of the Office of Management and Budget
- Kenneth deGraffenreid, Deputy Under Secretary of Defense for Policy Support
- Paula J. Debriansky, Under Secretary of State for Global Affairs
- Douglas J. Feith, former Chairman of the Center's Board of Directors, Under Secretary of Defense for Policy
- Evan Galbraith, Secretary of Defense's Representative to Europe
- Robert Joseph, Special Assistant to the President for National Security Affairs for Proliferation Strategy, Counterproliferation and Homeland Defense

- Sven Kraemer, Policy Advisor to the Undersecretary of Defense for Policy
- Keith Payne, Deputy Assistant Secretary of Defense for Forces Policy
- Richard Perle, Chairman of the Defense Policy Board
- Roger W. Robinson, Jr., Commissioner, U.S.-China Security Review Commission
- James G. Roche, Secretary of the Air Force
- William Schneider, Jr., Chairman of the Defense Science Board
- Wayne Schroeder, Deputy Under Secretary of Defense for Resource Planning and Management
- Michelle Van Cleave, Assistant Secretary of Defense-designate for Special Operations and Low Intensity Conflict
- Jose Sorzano, member, Board of Visitors, Western Hemisphere Institute for Security Cooperation (formerly the School of the Americas)
- Arthur Waldron, Commissioner, U.S.-China Security Review Commission
- Gov. Pete Wilson, member, President's Foreign Intelligence Advisory Board
- Dov Zakheim, Under Secretary of Defense; Comptroller
- Caroline B. Glick the senior Middle East fellow and the deputy managing editor of The Jerusalem Post

Board of Directors

- Frank J. Gaffney, Jr., President, Center for Security Policy
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- Hon. Roger W. Robinson, Jr., President, RWR, Inc.
- David P. Steinmann, Managing Director, American Securities, L.P.

[edit]

Personnel

- Dick Cheney, Vice President of the U.S. under George W. Bush, was an early member of Center's Board of Advisors (which is now called the National Security Advisory Council).
- "twenty-two CSP advisers -- including additional Reagan-era remnants like Elliott Abrams, Ken deGraffenreid, Paula Dobriansky, Sven Kraemer, Robert Joseph, Robert Andrews and J.D. Crouch -- have reoccupied key positions in the national security establishment, as have other true believers of more recent vintage."