

SB

131

<TARGET><BILL>SB 131</BILL><SUBJECT>SB
131</SUBJECT><COMM>SSTA27</COMM></TARGET>

ALASKA STATE LEGISLATURE

Session

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State Affairs Committee

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Joint Armed Services Committee

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Resources Committee
Judiciary Committee

Member

Administrative Regulation Review

SENATOR BILL WIELECHOWSKI

SB-131: Iran Divestment

Fact Sheet

- Iran has been listed as a “State Sponsor of Terrorism” by the U.S. State Department since 1984 and is currently under international sanctions for the regime’s continued human rights abuses, sponsorship of terrorism, and pursuit of nuclear weapons. Iran has been linked with “directly supporting” Iraqi insurgents that have actively gone after U.S. soldiers and according to a recent IAEA report, the Iranian regime is carrying out activities, “relevant to the development of a nuclear explosion device.”
- SB 131 would direct the Commissioner of Revenue to compile or acquire a list of companies that have invested an aggregate of \$20 million or more in Iran’s oil and gas development. Companies on that scrutinized list would be subject to divestment if the company cannot cure or explain the investments within 90 days. After that period, the State’s fund managers would be required to liquidate the assets they hold for those companies within another 90 days.
- This legislation would be repealed if Iran is no longer considered a “State Sponsor of Terrorism,” or if the United States determines that Iranian divestment policies interfere with our foreign policy.
- According to Legislative Research, no companies that currently do business on the North Slope would likely be subject to divestment. The same report identifies \$79 million, or a tenth of one percent, of state funds may be subject to divestment.
- This bill would keep Alaska’s investments from supporting our nation’s enemies.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version SB 131
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) SB131-REV-APFCCMF-01-27-12 Dept. Affected _____ Revenue _____
 Title DIVEST INVESTMENTS IN IRAN Appropriation APFC Custody and Management Fees
 Allocation APFC Custody and Management Fees
 Sponsor Senate State Affairs Committee
 Requester Senate State Affairs Committee OMB Component Number 2310

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services	200.0							
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1105	PF Gross (Other)	200.0						
TOTAL		200.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS

Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES

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Estimated **SUPPLEMENTAL (FY12) operating costs** 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated **CAPITAL (FY13) costs** 0.0 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial version

Prepared by Laura Achee
 Division Alaska Permanent Fund Corporation
 Approved by Michael J. Burns
CEO, Alaska Permanent Fund Corporation

Phone 796-1522
 Date/Time 1/27/12 12:00 AM
 Date 1/27/2012

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB 131

Analysis

This bill would require that APFC divest any securities of publicly traded companies that are held in actively managed separate (non-commingled) funds. This bill would also require that APFC send letters to managers of actively traded commingled funds requesting that they consider divesting the listed securities. Based on consultations with external managers and other public funds, APFC has projected the transactional costs stated above for the divestment process. This estimate does not include any projected investment losses that may occur from selling the more illiquid stocks.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version SB131
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) SB131-DOR-TRS-1-27-12 Dept. Affected Revenue
 Title Divest Investments in Iran Appropriation Treasury
 Allocation ARMB/ARMB Custody
 Sponsor Senate State Affairs
 Requester Senate State Affairs OMB Component Number 2812

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***

FUND SOURCE (Thousands of Dollars)

1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		***	***	***	***	***	***	***

POSITIONS

Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES

--	--	--	--	--	--	--	--

Estimated SUPPLEMENTAL (FY12) operating costs _____ (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Fiscal Note

Prepared by Scott Jones, Assistant Comptroller Phone 465-2300
 Division Treasury Date/Time 1/27/12 1:00 PM
 Approved by Alicia Egan, Oil & Gas Legislative Liaison Date 1/28/2012
 Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SB131

Analysis

The costs to implement this bill are indeterminate.

This bill requires the fiduciaries of the state's retirement systems, the Supplemental Annuity Plan and the deferred compensation plan to divest certain investments in publicly traded companies that conduct business operations or have direct investments in business operations in Iran. While Treasury believes that active and passive separate account managers will not charge additionally for divestment, Treasury will incur some costs in developing a list of companies that conduct or have direct investments in business operations in Iran. Other costs to be considered would include development of letters to fund managers of commingled investments, the opportunity cost of staff time to implement new policies and processes to implement this bill. The effect this bill will have on investment performance is unknown.

Lines of Questioning for the Permanent Fund

- First, can you explain the process that the Permanent Fund went through to give us both a zero and a \$200,000 fiscal note?
 - So the \$200,000 price tag came from fund managers. How many fund managers came back saying there would be a cost?
 - So only one fund manager came back with a cost. So you are saying that one fund manager would charge \$200,000 to sell stocks in a handful of companies?
 - And how many other fund managers came back and said that there would be no additional cost?
 - Why is it that this particular fund manager would charge so much more than every other fund manager?
 - And why does this particular fund manager not fall under the exemptions on page 2, lines 5 through 11?

- The Governor made a surprise announcement this week that he is asking the Permanent Fund Corporation to divest their holdings from companies that do business in Iran. What is the Permanent Fund Corporation going to do in response to this letter?
 - Does the Permanent Fund Corporation have the legal authority to divest from Iran at the Governor's request?
 - Where would the Permanent Fund Corporation get the money to divest if they chose to honor the Governor's request?
 - If so, could a sitting Governor unilaterally decide to reverse this policy in the future?
- The new fiscal note seems a little high. I would like to note for the record that you and the Permanent Fund Corporation have been very responsive and helpful to me and my staff this past week. In fact, my staff has obtained the contract the Permanent Fund Corporation has with this specific fund manager. You have cautioned that some

of the information should remain confidential, so let me know if my questions cross a line.

- Are you allowed to name the fund manager that says it would cost them \$200,000 to sell a handful of stocks?
- Did they give this quote for all of their funds and indexes, or just one?
- Is the \$200,000 the cost it would be for them to divest from the \$1 billion fund only, not the other two holdings that are excluded from this legislation?
- And what exactly does it mean for that \$1 billion fund to be an “International Large-Cap Core Equity Investment?”
- Are there other fund managers that the Permanent Fund could go to that would be able to invest in a similar market?
- How much is the Permanent Fund Corporation paying this company annually for this quasi-passive

management? (it should be around \$1.375 million annually)

- So you are saying that they would get a huge increase in their annual management fees for selling a handful of stocks? Going from under \$350,000 in a quarter to \$550,000 seems outrageous.
- Would there be any additional cost to leave this fund manager for another? Would we have to pay them more for terminating the agreement?
- Is there a section in the contract that allows for the Permanent Fund and the manager to come to an agreement as to how much should be charged in the agreement in the event unforeseen circumstances arise?
- Wouldn't the Permanent Fund have a good negotiating position, having a number of other fund manager options, to negotiate this cost down?

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Governor Sean Parnell
STATE OF ALASKA

January 31, 2012

Mr. Michael Burns
Executive Director
Permanent Fund Corporation
801 West Tenth Street, Suite 302
Juneau, AK 99801

Dear Mr. Burns,

This will follow up on our meeting of November 21, 2011, regarding the divestiture of Permanent Fund investments from Iran. The International Atomic Energy Agency (IAEA) recently placed Iran under heavy scrutiny for "serious concerns regarding possible military dimensions to Iran's nuclear program." And, the IAEA believes Iran has "carried out activities relevant to the development of a nuclear explosive device." Additionally, Iran's ruling government has made it clear that it does not believe that citizens of Israel should be allowed to live or peaceably pursue their own interests.

I understand some believe free markets, rather than government policy, should drive our investment choices, but this very real threat requires action. No free market exists when one nation builds a nuclear arsenal while it continually and steadfastly advocates for the eradication of another entire nation, with our own not so far behind.

In my view, our State's policy should now be to divest ourselves of investments with companies doing business in Iran. This sanction comes as a last resort – an option our State has historically refused when presented. However, the time to stand on the principles of life and liberty is at hand, and we must step up along with our country and other states. For these reasons, I am asking that to the extent permitted by law, you pursue a policy of divestiture of State resources from companies that do business in Iran or with the current ruling government of Iran.

Sincerely,

A handwritten signature in cursive script that reads "Sean Parnell".

Sean Parnell
Governor

LEGAL SERVICES

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MEMORANDUM

January 26, 2012

SUBJECT: Sectional summary of SB 131 (Work Order No. 27-LS0785\M)

TO: Senator Bill Wielechowski
Attn: Samuel Gottstein

FROM: Dan Wayne
Legislative Counsel

You have requested a sectional summary of SB 131, a bill relating to divestment in certain companies doing business with Iran. Please note that a sectional summary of a bill is not an authoritative interpretation of a bill. The bill itself is the best statement of its contents.

Section 1 of the bill enacts a new section, AS 37.10.072. It states that the commissioner of revenue or a fiduciary of a fund listed in AS 37 may not invest in and shall cause the fund to divest in publicly traded securities of a company that the commissioner places on a list of scrutinized companies that conduct or have direct investments in business operations in Iran and must divest, if needed, within 90 days after the company is placed on the list. The commissioner is required to make reasonable efforts to investigate all publicly traded companies to determine whether the company is a scrutinized company that should be placed on the list. The commissioner must make certain reports based on the investigations into companies that may or may not be on the list.

Section 2 of the bill requires the Alaska Retirement Management Board to comply with the provisions of AS 37.10.072.

Section 3 of the bill requires the board of trustees of the Alaska Permanent Fund Corporation to comply with the provisions of AS 37.10.072.

Section 4 of the bill provides that the statutes enacted in the bill are repealed the day after Iran is removed from the United States Department of State's list of countries that have been determined to repeatedly provide for acts of international terrorism or, the United States Congress or the President of the United States, through legislation or executive order, declares that the Iran divestment authorized in the Act interferes with the conduct of United States foreign policy.

Senator Bill Wielechowski

January 26, 2012

Page 2

Section 5 of the bill requires the commissioner of revenue to diligently work on compiling the list of scrutinized countries within 90 days after the effective date of the Act.

Section 6 of the bill directs the Department of Law to submit written notice to the Attorney General of the United States describing this Act no more than 30 days after the effective date of the Act.

Section 7 of the bill provides for an immediate effective date.

DCW:plm
12-053.plm



LEGISLATIVE RESEARCH SERVICES

Alaska State Legislature
Division of Legal and Research Services
State Capitol, Juneau, AK 99801

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Memorandum

TO: Senator Bill Wielechowski
FROM: Susan Haymes, Legislative Analyst
DATE: October 24, 2011
RE: Iran Divestment and State of Alaska Investments
LRS Report 12.070

You asked about economic sanctions against the government of Iran by means of the divestment of public assets in certain companies. Specifically, you asked about the potential effects of a "targeted divestment" law on the State of Alaska with respect to the Alaska Permanent Fund and other Alaska state funds.

Economic sanctions have been a major feature of U.S. Iran policy since the U.S. Embassy hostage crisis in 1979. In 1995, President Clinton issued executive orders prohibiting U.S. companies from investing in Iranian oil and gas and from trading with Iran. Also in 1995, Congress passed the Iran Sanctions Act (ISA), which required the U.S. government to impose sanctions on foreign firms investing more than \$20 million a year in Iran's energy sector.¹ On July 1, 2010, President Obama signed the Comprehensive Iran Sanctions, Accountability and Divestment Act (CISADA, P.L. 111-95), which significantly expanded the authority of the ISA by imposing sanctions on sales to Iran of gasoline and related equipment and services. Among other things, the CISADA also authorizes state and local governments to divest shares of companies that are involved in trade with Iran that could be subject to sanctions under CISADA.²

Divestment of Alaska State Funds

In April 2011 (27th Legislature), Alaska lawmakers introduced SB 131, which would require the state to divest ownership in any publicly traded securities from scrutinized companies that conduct or have direct investments in business operations in Iran.³ Under the proposed legislation, the commissioner of the Department of Revenue shall compile a list of scrutinized companies. The commissioner is required to provide written notice and an opportunity to comment in writing before the company is identified as a scrutinized company. The divestment process described in SB 131 is similar to the process used in other states that have passed legislation or are considering legislation requiring divestment from Iran.

In assembling a list of scrutinized companies, we note that many states appear to be sharing information concerning companies with business activities in Iran. Some states, such as California and Florida, use research performed by Institutional Shareholder Services/RiskMetrics Group and others to evaluate companies with possible links to Iran. Nevertheless, lists may vary somewhat.⁴ For purposes of this report we use a list of 36 scrutinized companies compiled by Institutional Shareholder Services/RiskMetrics Group for the Minnesota legislature in January 2011.

¹ Originally called the Iran and Libya Sanctions Act (P.L. 104-172), Libya was removed from the law in 2004. Congress enacted sanctions in an effort to deny Iran the resources to further its nuclear program and its support of terrorist organizations such as Hizbollah, Hamas, and Palestine Islamic Jihad.

² Kenneth Katzman, "Iran Sanctions," Congressional Research Service, February 3, 2011.

³ Under the legislation, business operations mean power production activities, mineral extraction activities, oil or gas-related activities, or the production of military equipment. Representatives Carl Gatto and Bob Lynn introduced a companion bill in the House, HB 2.

⁴ We note that each state is required to review and update the list of scrutinized companies on a regular basis. The Florida State Board of Examination maintains a list of scrutinized companies as well as companies that are under continued examination and may be added later. RiskMetrics Group provides risk management and financial services.

The state of Alaska maintains invested assets totaling about \$78 billion.⁵ Of these investments, nearly \$79 million—or about 0.1 percent— would be subject to divestment under SB 131 as proposed. We calculate that as of September 30, 2011, almost \$71 million in Permanent Fund investments would require divestment and almost \$8 million in other state assets would be targeted for divestment.

The following table shows the list of companies and the market value of the investments held by the Alaska Permanent Fund and other state funds that would be subject to divestment.

Permanent Fund and Other State Stock Holdings Potentially Subject to Iranian Divestment		
Permanent Fund		
Company	Market Value	Country
Air Liquide L'	\$8,312,454	France
China Petroleum and Chemical	\$21,441,552	China
CNOOC Ltd	\$1,890,363	China/Hong Kong
Daelim Industrial Company	\$90,106	South Korea
Gazprom OAO	\$8,674,991	Russia
GS Engineering and Construction	\$116,464	South Korea
KunLun Energy Company Limited	\$198,460	Hong Kong
MISC Berhard	\$115,469	Malaysia
Oil and Natural Gas Corporation	\$241,590	India
OMG AG	\$3,771,598	Austria
PetroChina Company	\$1,512,966	China
Petrofac Limited	\$1,656,908	United Kingdom
Petronas Dagangan Bhd	\$149,977	Malaysia
Petronas Gas Berhad	\$325,262	Malaysia
PTT Exploration and Production	\$344,206	Thailand
Sasol Limited	\$11,935,379	South Africa
SGS SA	\$2,098,084	Switzerland
Technip SA	\$8,004,444	France
Total for Permanent Fund	\$70,880,273	
Other State Funds Managed by the Division of Treasury		
Air Liquide L'	\$2,916,692	France
Costain Group	\$2,050	United Kingdom
Gazprom OAO	\$4,543,890	Russia
OMV AG	\$155,137	Austria
SGS SA	\$289,862	Switzerland
Total for Other State Funds	\$7,907,631	
GRAND TOTAL	\$78,787,904	

Notes: The market value of the Permanent Fund holdings is the value as of September 30, 2011.
Sources: Permanent Fund holdings and market value can be accessed at <http://www.apfc.org/home/Media/investments/09302011WebHoldings.pdf>. Pam Leary, state comptroller, Department of Revenue, provided the information on other state holdings. Ms. Leary can be reached at 907.465.3751.

⁵ As of September 30, 2011, the state's investments included \$21.3 billion under the fiduciary responsibility of the Commissioner of Revenue, \$18.4 billion under the fiduciary responsibility of the Alaska Retirement Management Board, and \$38.2 billion in the Alaska Permanent Fund, <http://www.revenue.state.ak.us/treasury/>.

The Alaska Permanent Fund and the Alaska Retirement Management Board have in the past expressed reservations about the wisdom of divestment, citing increased administrative costs and possible declines in fund performance.⁶ While, given the nature of the global investment marketplace, it is unlikely that the divestment of Alaska public funds from targeted companies would have a direct, negative impact on those companies, proponents of divestment point to the recent decisions by a number of major multinational companies to withdraw from Iran. For example, Royal Dutch Shell, France's Total SA, Italy's Eni Spa, Norway's Statoil ASA, all have agreed to end investments in Iran. At least 22 states and the District of Columbia have likewise enacted laws or adopted policies to divest public funds from companies active in Iran. We note that under the proposed legislation, the Act would be repealed when the U.S Department of State removes Iran from its list of terrorist countries, or the United States Congress or the President determines that Iran divestment interferes with the conduct of U.S. foreign policy.

We hope this is helpful. If you have questions or need additional information, please let us know.

⁶ Daniel Lesh, "Divestment of Qualifying Companies Operating in Sudan from Alaska Public Funds," Legislative Research Report 09.118, January 27, 2009.

The Risk Management Attributes and Broader Policy Implications of SB 131, entitled “Divest Investments in Iran”

Written Testimony before the Senate State Affairs Committee
of the Alaska State Legislature

Andrew K. Davenport
January 31, 2012

Mr. Chairman and Members of the Committee, thank you for the privilege of submitting this written testimony for consideration by the State Affairs Committee, as it, in turn, considers SB 131, a bill that calls on the Alaska Permanent Fund to divest of certain companies with ties to Iran. My familiarity with this issue area is extensive. I co-founded Conflict Securities Advisory Group (CSAG) and served as Vice President of that firm from 2001 to 2009. CSAG was the first independent research provider to identify and profile all corporate involvement in Iran – as well as other security-sensitive countries – to meet the risk management and compliance needs of the investment community, including for divestment purposes. I presently serve as Chief Operating Officer of RWR Advisory Group, a Washington, DC-based advisory firm that specializes, among other areas, in the risk to share value and corporate reputation related to corporate activity in these same countries. In addition to presiding over the research involved in profiling this activity, I have advised multinational corporations, institutional investors, asset managers and government agencies worldwide on the management of this risk category more broadly. Based on this background, I am pleased to offer my perspective on the merits of SB 131.

It is my view that the measures mandated for the Alaska Permanent Fund by SB 131 encourage a minimum level of prudent risk management with respect to those companies that continue to conduct business in Iran’s energy sector that is in technical violation of U.S. sanctions law during a period when the temperature of Tehran’s nuclear stand-off with the international community is at a historic peak. It is well known today that corporate activity in Iran, including activity that is legal under the jurisdictions that many foreign companies operate under, carries significant reputational and economic/financial risk. There are numerous examples of corporate ties to Iran harming a company’s brand through negative press and shareholder and non-governmental organization (NGO) activism as well as encountering other downside risks, such as class-action lawsuits, the unexpected diversion of equipment and technology to internal security applications, rapidly expanding sanctions policies and unwitting partnerships with increasingly prevalent military front companies. (e.g., those linked to the Islamic Revolutionary Guard Corps). Moreover, these risks are asymmetric in the impact they can have on corporations, meaning that business activity involving financial sums that are typically insignificant relative to a company’s overall bottom line or global revenues are material to the average investor on account of the disproportionate impact such business can have on share value and corporate reputation.

The Securities and Exchange Commission (SEC) has supported this view since May 2001, when the materiality of corporate activity in U.S.-sanctioned states was first publicly asserted in a letter to Congress from then-Chairman Laura Unger. Subsequently, in 2004, the SEC opened an Office of Global Security Risk that is charged with enforcing strengthened disclosure requirements on this topic by U.S.-listed companies – primarily foreign companies – that have business ties to Iran, but are not sufficiently describing the nature of that business to investors or are omitting the information entirely. For the same reason that some companies exiting Iran today reference shareholder concerns as a factor in their decision-making, institutional investors that have divested these companies in the past have often done so to protect the value of their investments. I have participated in the “back testing” of investment portfolios that have removed certain companies with ties to Iran and, although every investment situation is different, I have witnessed results that show a “de minimis” impact on returns with lower volatility. The “investor protection” basis for action has also made this a bipartisan issue with past vocal leaders on this topic ranging from former Missouri Treasurer Sarah Steelman (R) to former New York City Comptroller Bill Thompson (D). Both Sen. McCain and then-candidate Obama touted the divestment of Iran-linked companies from their personal portfolios in the 2008 presidential race.

Despite the potential materiality of a wide range of corporate activity in Iran, SB 131 focuses only on those companies with ties to Iran that violate the central provision of the Congressional “Iran Sanctions Act of 1996,” as amended by subsequent legislation. This bill set a threshold of activity in Iran of \$20 million or more in the development of the country’s petroleum resources (the industry through which Iran raises the majority of its foreign currency and total government revenues). Any foreign company that violates this threshold is subject to special sanctions, enforceable at the discretion of the President. Accordingly, SB 131 draws what we consider to be a highly conservative line in the sand targeting a tier of corporate activity in Iran that has been internationally understood for many years to be the most risky.

Indeed, especially with today’s backdrop on Iran, technical violations of this provision are so risky that few publicly-traded companies have the appetite to carry out such activity and those that do are often less sensitive to reputational risk and less protective of their share value. Many are partially or majority state-owned enterprises. In fact, the reality that the list of such companies is relatively small and the threshold for inclusion on the “scrutinized company” list is so high is a major factor in many public pension systems across the country dropping their opposition to the bill and, in some cases, agreeing to implement this targeted divestment model even in the absence of binding legislation. The proliferation of this model even led to the inclusion of language in the “Comprehensive Iran Sanctions, Accountability and Divestment Act” (CISADA) – enacted by the Congress in July 2010 – that gives Congressional endorsement of the divestment model embodied in SB 131 and seeks to shield those involved from certain legal liabilities that have been referenced by the investment community.

Over the years – and increasingly of late – the targeted divestment model has even been questioned on the basis that its “target” was, and remains, too narrow, too cautious and too conservative. The decision to peg this model to provisions in the “Iran Sanctions Act” as it stood some 6 to 7 years ago, when the targeted divestment initiative first emerged, has not been

revisited during the intervening period. The monetary level at which energy sector business with Iran can be called significant, however, has clearly diminished. Moreover, the objectives of the Congress differ from those of shareholders. The U.S. government is seeking to identify projects that have national security significance and shareholders (i.e., in this case, the beneficiaries of the Alaska Permanent Fund) are seeking to mitigate downward pressures on their investments. As demonstrated on numerous occasions, companies can experience negative press, controversy and even sanctions-related difficulties over transactions valued at far less than \$20 million. Per the SEC conclusions referenced above, it would be defensible for the Alaska State Legislature to seek divestment from the Permanent Fund with regard to companies with ties to Iran that are significant, but below the very conservative threshold for risk management set forth in SB 131.

Indeed, even if there is a prerequisite for divestment that it address only companies that are targets of federal sanctions policy, as is the case with the current targeted model, advocates might focus on the fact that the past two years have seen a significant increase in the breadth of business activity in Iran that violates sanctions over and above the legacy provisions of the “Iran Sanctions Act.” For example, an Executive Order issued by President Obama on November 21, 2011 lowered the threshold at which investments in Iran’s petroleum resource industry is subject to sanctions from \$20 million in a year to \$5 million. It also targeted companies supporting Iran’s petrochemical industry. CISADA expanded sanctions to include suppliers of refined petroleum product as well as support for Iran’s efforts to produce such product domestically. Financial institutions are also more vulnerable to U.S. penalties stemming, in part, from Iran’s new, official designation as a “primary money laundering concern” and new requirements issued by the Treasury Department that all banks meet their obligations to investigate and mitigate the risks associated with having correspondent banking accounts with banks that, in turn, have correspondent banking accounts with Iran (to minimize the chance of Iran seeking to access the U.S. financial system through a “bank shot,” so to speak).

Since the targeted divestment model first started gaining traction in various states, these federal sanctions enhancements have become official policy and law, altering the landscape for risk management and potentially offering more, updated guidance to the investment community with regard to what type of business activity is viewed today as “beyond the pale” from a U.S. security perspective. Indeed, just as foreign companies modified their behavior in response to the “Iran Sanctions Act” (despite the scarcity of any actual enforcement of this law by multiple presidents), they have likewise been withdrawing from their refined petroleum partnerships, smaller-scale oil and gas projects and financial arrangements in response to new U.S. policies. Divestment efforts, however, have not kept pace. This reality reinforces our conclusion that companies in violation of the \$20 million petroleum resource threshold laid out in SB 131 can, even more so today than several years ago, be viewed as comprising an especially elite category of worst offenders whose Iran-related activities make them suitable for divestment on risk management grounds.

Andrew Davenport is Chief Operating Officer of RWR Advisory Group. The views expressed herein are his own and do not necessarily reflect the views of RWR Advisory Group.

The Washington Post

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Senate unanimously approves tough sanctions on Iran Central Bank

By Associated Press, Published: December 1

WASHINGTON — The Senate unanimously approved tough new sanctions on Iran's Central Bank amid fears of Tehran developing a nuclear weapon.

The 100-0 vote Thursday was for an amendment to the defense bill. Lawmakers had argued that concerns about a nuclear-armed Iran outweighed reservations about driving up oil prices and hurting Americans at the gas pump.

Sens. Bob Menendez of New Jersey and Mark Kirk of Illinois offered the amendment that would target foreign financial institutions that do business with the Central Bank of Iran, barring them from opening or maintaining correspondent operations in the United States. It would apply to foreign central banks only for transactions that involve the sale or purchase of petroleum or petroleum products.

Administration officials cautioned that driving up oil prices could mean more money for Iran.

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EU Iran Oil Embargo Sanctions 'Unprecedented'



DON MELVIN 01/23/12 02:40 PM ET Associated Press ^{AP}

BRUSSELS — The European Union and Iran raised the stakes Monday in their test of wills over the Islamic republic's nuclear program, with the bloc banning the purchase of Iranian oil and Iran threatening to retaliate by closing the Strait of Hormuz, through which a fifth of the world's crude is transported.

The escalating confrontation is fraught with risks — of rising energy prices, global financial instability, and potential military activity to keep the strait open.

The EU's 27 foreign ministers, meeting Monday in Brussels, imposed an oil embargo against Iran and froze the assets of its central bank, ramping up sanctions designed to pressure Iranian officials into resuming talks on the country's nuclear program.

EU officials say the tighter sanctions are part of a carrot-and-stick approach, an effort to increase pressure while at the same time emphasizing their willingness to talk.

In Washington, Department of State Secretary Hillary Rodham Clinton and Department of the Treasury Secretary Timothy Geithner welcomed the EU decision, calling it "another strong step in the international effort to dramatically increase the pressure on Iran." In their joint statement, they said the EU sanctions, combined with earlier ones imposed by the U.S. and the international community, "will sharpen the choice for Iran's leaders and increase their cost of defiance of basic international obligations."

But the initial response out of Tehran, the Iranian capital, was harsh.

Ramin Mehmanparast, a spokesman for Iran's Foreign Ministry, called the economic sanctions "illogical and unfair" saying: "It is only understandable in the framework of propaganda and psychological war."

Mehmanparast was quoted by website of state broadcasting company as saying, "Pressure and sanctions against a nation that has a strong logic and reason for its policy is a failed method."

He said due to the world's long-term need for energy, "It is not possible to impose sanctions on Iran," which has huge resources of oil and gas.

And two Iranian lawmakers threatened that their country would close the strait in retaliation for the EU embargo.

Lawmaker Mohammad Ismail Kowsari, deputy head of Iran's influential committee on national security, said Monday the strait "would definitely be closed if the sale of Iranian oil is violated in any way."

The strait – just 34 miles (54 kilometers) wide at its narrowest point – runs alongside Iran and is the only way to get from the Persian Gulf to the open sea. Tensions over the potential impact its closure would have on global oil supplies and the price of crude have weighed heavily on consumers and traders. The U.S. and Britain both have warned Iran not to disrupt the world's oil supply.

After news of the EU move, benchmark crude for March delivery rose 90 cents on the day to \$99.23 a barrel in early morning European time in electronic trading on the New York Mercantile Exchange. Brent crude was down 35 cents at \$109.51 a barrel on the ICE futures exchange in London.

Many analysts doubt that Iran would maintain a blockade for long, but any supply shortages would cause world oil supplies to tighten temporarily. But Kowsari said that, in case of the strait's closure, the U.S. and its allies would not be able to reopen the route, and warned America not to attempt any "military adventurism."

An American aircraft carrier, the USS Abraham Lincoln entered the Gulf on Sunday without incident to conduct scheduled maritime security operations, and U.S. warships frequently operate in the Gulf. But when the carrier USS John Stennis departed the Gulf in late December, Iranian officials warned the U.S. not to return. The British Ministry of Defense said British and French warships joined the U.S. carrier group transiting through the Strait of Hormuz "to underline the unwavering international commitment to maintaining rights of passage under international law."

Russia's Foreign Ministry said the sanctions are a severe mistake likely to worsen tensions. "It's apparent that in this case there is open pressure and diktat, aimed at 'punishing' Iran for uncooperative behavior. This is a deeply mistaken policy, as we have told our European partners more than once," the ministry said in a statement. "Under pressure of this sort, Iran will not make any concessions or any corrections to its policies," it said.

The EU sanctions include an immediate embargo on new contracts for crude oil and petroleum products. Existing contracts with Iran will be allowed to run until July.

Last month, the U.S. enacted new sanctions targeting Iran's central bank and its ability to sell petroleum abroad, but it has delayed implementing the sanctions for at least six months, worried about sending the price of oil higher at a time when the global economy is struggling.

Other countries are steering clear of such measures altogether. China also does not support an embargo, and Japan's finance minister, Jun Azumi, has expressed concern about the effectiveness of U.S. sanctions on Iran – not to mention their potential impact on Japanese banks.

Some 80 percent of Iran's foreign revenue comes from oil exports and any sanctions that affect its ability to export oil would hit its economy hard. With about 4 million barrels per day, Iran is the second largest producer in OPEC.

"It means that we will paralyze, bit by bit, Iran's economic activity and keep the country from using a major part of its resources," said French Foreign Minister Alain Juppe. "You can be skeptical, but it is better than making war."

At the heart of the dispute is international unease about Iran's nuclear program. Iran says its nuclear program is peaceful, but the United States and other nations suspect it is trying to build nuclear weapons. Iran is now under several rounds of U.N. sanctions for not being more forthcoming about its nuclear program.

Late Monday, British Prime Minister David Cameron, German Chancellor Angela Merkel and French President Nicolas Sarkozy issued a joint statement urging Iran to suspend its sensitive nuclear activities.

"Our message is clear," the statement said. "We have no quarrel with the Iranian people. But the Iranian leadership has failed to restore international confidence in the exclusively peaceful nature of its nuclear program. We will not accept Iran acquiring a nuclear weapon."

Iran's denials of military intent have utterly failed to convince EU officials.

"The recent start of operations of enrichment of uranium to a level of up to 20 percent in the deeply buried underground facility in Fordo near Qom further aggravates concerns about the possible military dimensions to Iran's nuclear program," the foreign ministers said in a statement Monday.

That accelerated enrichment is in violation of six U.N. Security Council resolutions and 11 resolutions by the board of the International Atomic Energy Agency, "and contributes to rising tensions in the region," the statement said.

British Foreign Secretary William Hague called the embargo part of "an unprecedented set of sanctions."

"I think this shows the resolve of the European Union on this issue," Hague said.

The EU also decided to freeze the assets of the Iranian central bank. Together, the two measures are intended not only to pressure Iran to agree to talks but also to choke off funding for its nuclear activities.

Before Monday's decision, negotiators worked hard to try to ensure that the embargo would punish only Iran – and not EU member Greece, which is in dire financial trouble and relies heavily on low-priced Iranian oil.

The foreign ministers agreed to a review of the effects of the sanctions, to be completed by May 1. And they agreed in principle to make up the costs Greece incurs as a result of the embargo.

Raf Casert in Brussels, Nasser Karimi in Tehran, Matthew Pennington in Washington, and Gregory Katz in London contributed to this report.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

December 1, 2011

The Honorable Carl Levin
Chairman
Committee on Armed Services
United States Senate
Washington, D.C. 20510

Dear Chairman Levin:

I am writing to address amendment 1414 to S. 1867, the National Defense Authorization Act for Fiscal Year 2012, regarding the imposition of sanctions on foreign financial institutions that conduct business with the Central Bank of Iran (CBI).

The Obama Administration's determination to prevent Iran from acquiring nuclear weapons is unwavering. We are resolved to build and sustain as much pressure as necessary to bring Iran to meet its international obligations and address the international community's grave concerns with its nuclear program. I know that you and your colleagues in the Senate share this commitment.

We understand that this amendment was offered in this spirit. However, I am writing to express the Administration's strong opposition to this amendment because, in its current form, it threatens to undermine the effective, carefully phased, and sustainable approach we have undertaken to build strong international pressure against Iran. In addition, the amendment would potentially yield a net economic benefit to the Iranian regime.

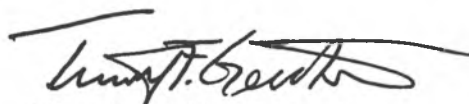
We have steadily increased the pressure on Iran by tightening sanctions, closing loopholes, and encouraging other countries to do the same. Congress has been absolutely critical in providing some of the tools that we have used to accomplish that goal, and we are seeing genuine results. The collaborative approach the U.S. has taken with our international partners has led many to impose sanctions on Iran that were not even contemplated three years ago, including on Iran's energy sector.

Iran's greatest economic resource is its oil exports. Sales of crude oil line the regime's pockets, sustain its human rights abuses, and feed its nuclear ambitions like no other sector of the Iranian economy. We are committed to doing as much as possible to reduce Iran's oil revenue while concurrently working to stabilize global oil markets. Today, the United States does not permit the import of Iranian crude. Other countries have already begun to reduce their consumption of Iranian crude and the Administration is working hard to discourage anyone from taking advantage of the responsible policies of these countries. Our closest allies are seriously considering curtailing their own crude purchases altogether in the near future and we are doing everything possible to encourage them to make the right decision.

However, as currently conceived, this amendment threatens severe sanctions against any commercial bank or central bank if they engage in certain transactions with the CBI. This could negatively affect many of our closest allies and largest trading partners. Rather than motivating these countries to join us in increasing pressure on Iran, they are more likely to resent our actions and resist following our lead – a consequence that would serve the Iranians more than it harms them. Further, there is a substantial likelihood that this amendment, particularly if passed into law at this time and in its current form, could have the opposite effect from what is intended and increase the Iranian regime's revenue, literally fueling their suspect nuclear ambitions. The Administration is prepared at your convenience to share the details of our analysis on this point, in a classified briefing.

The Obama Administration strongly supports increasing the pressure on Iran significantly, including through properly designed and well-targeted sanctions against the CBI. The Administration has several legislative proposals to both enhance and expand the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) and to strike at the CBI that we would like to discuss with you and your colleagues. We intend to work with our partners to achieve the objectives of this amendment, but in a fashion that we believe will have a greater and more sustainable impact on Iran. We ask that you continue to work with us on ways to improve this amendment and to consider other, more immediate and more effective steps that we can take to accomplish our shared goals while we work with our partners to bring about the effects this amendment is intended to achieve.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy F. Geithner", written in a cursive style.

Timothy F. Geithner

Missouri Treasurer's Demand: 'Terror-Free' Pension Funds

By CRAIG KARMAN
June 14, 2007; Page C1

Sarah Steelman, the Missouri state treasurer, is emerging as a thorn in the side of a set of powerful global investors.

As pension funds face pressure from politicians to divest themselves from Iran and other countries deemed terrorism sponsors, she has staked out a zero-tolerance approach to investments like these. That's given the 49-year-old Republican a prominent voice in the wave of new legislation -- from Ohio to California -- targeting the \$1 trillion pension fund industry. Ms. Steelman's own state legislature has declined to go along with her campaign. But a dozen other states -- including Florida, California and Texas -- have passed laws that compel pension funds to divest themselves of holdings in companies that do business in countries like these. While U.S. companies are banned from doing business in those countries, many foreign companies are active there.



Sarah Steelman,
Missouri treasurer,
contacted all 49 other
state treasurers about
terror-free divestment
laws.

The list of companies potentially affected is extensive. Ms. Steelman says that nearly 500 big foreign companies and multinationals do at least some business in what the U.S. government considers terror-sponsoring nations.

Proposals in other states are considerably less far-reaching than what Ms. Steelman would like to see. For instance, some states focus on prohibiting investments in just a couple dozen companies in Iran's energy sector.

Last summer, Ms. Steelman unveiled what she calls a "terror free" fund -- a small fund, intended as a model, designed to avoid investments in nations considered terror sponsors. In its first eight months of existence, her fund has returned 27%, she says. "People said fund performance was going to suffer. We've shown that's just not true." Many pension funds dismiss those returns, pointing out that the period is too short to be meaningful.

The dispute raises questions about what role taxpayer-supported pension funds should play in world affairs. Funds argue that while legislative efforts like these may be well-meaning, they conflict with a fund's fiduciary duty to get the best returns for beneficiaries. Complying with the anti-terror push, they say, could crimp returns.

Some fund managers also argue that the approach is misguided: Funds would have more influence over the offending companies by bringing pressure on them as shareholders.

"When you divest, you lose your place at the table," says Clark McKinley, spokesman for the California Public Employees' Retirement System. The \$244 billion pension fund opposes pending legislation that could require Calpers to sell billions of dollars of investments in companies with Iran links.

The Center for Security Policy, a conservative Washington, D.C., think tank, says that it has identified 100 public pension funds in the U.S. that have about \$188 billion invested in companies doing business in nations branded terror sponsors by the U.S. government.

"There is not a public pension fund out there that is not seriously looking at this issue," says Mark Tulay, a director at Institutional Shareholder Services, a consulting firm.

Ms. Steelman and other divestment proponents often cite the situation in South Africa two decades ago, when government sanctions and pension fund divestment were widely credited with helping end the apartheid regime.

Ms. Steelman embraced the antiterrorism issue early on in her term, which began in January 2005. She started by examining the backgrounds of the broker-dealers employed by the Missouri state treasury. She says she fired two European banks after learning of their business ties to Iran. She hired a money manager to screen for links to Iran and other blacklisted states for her new terror-free fund. That small \$7 million fund invests Missouri money set aside for cultural activities. Ms. Steelman spent much of 2006 reaching out to state lawmakers and contacting all 49 of the other state treasurers about passing terror-free divestment laws. She has also offered guidance to officials in other states on how to respond to pension-fund objections.

"As soon as we introduced the legislation, we scrambled to find experts on the topic," says Joel Anderson, the California assemblyman who sponsored his state's bill calling for divestment from companies doing business in Iran. Ms. Steelman has "been very helpful with the hurdles we had to overcome." The bill passed unopposed in the Assembly earlier this month and now heads to the California Senate.

Ms. Steelman has had less luck winning over the pension funds—in her state or elsewhere. The antiterrorism bills vary from state to state. Some call for rapid divestment in more than 100 companies, while others are limited to about 20 and call for sales only after the funds talk to the companies.

Missouri's biggest public pension fund says it is waiting for clarification from Washington. "I'm looking for the federal government to give guidance on which companies to divest from, not the opinion of third-party organizations," says Steve Yoakum, executive director for the \$32 billion Public School Retirement System of Missouri.

In general, pension-fund managers say complying with the new laws will cost money and hurt returns. Calpers, for instance, estimates that if the current bill becomes law, the fund would have to sell about \$2 billion in investments at a cost of as much as \$25 million. Calpers estimates that had a version of the California bill been in place in the past five years, it would have reduced the value of the fund's holdings by \$725 million.

California State Teachers' System, a \$171 billion pension fund, hasn't estimated the cost of compliance with the bill. But Calstrs Chief Executive Officer Jack Ehnes says he thinks a more effective strategy would be to make the case to these companies as major shareholders. "The first step is active engagement with the companies," he says.

Write to Craig Karmin at craig.karmin@wsj.com

National Post

Sanctions against Iran may destabilize, topple regime by 'ratcheting up hassle factor': expert

Peter Goodspeed Jan 28, 2012 – 5:29 PM ET



A handout picture obtained from the Iranian president's office shows Iranian President Mahmoud Ahmadinejad delivering a speech during a visit to the city of Kerman, 1,000km southeast of Tehran, on January 26, 2012.

The 9/11 terrorist attacks drove Mark Dubowitz, a young business whiz who worked as a Bay Street lawyer and high-tech venture capitalist in Toronto, to change careers.

He moved to Washington and became executive director of the Foundation for the Defense of Democracies (FDD), an aggressive new neo-conservative think-tank that helps shape U.S. thinking on war, terrorism and the Middle East.

Now, he is a recognized international expert on developing sanctions that might cripple Iran's oil industry.



Yuri Gripas

Mark Dubowitz is at his office in Washington on January 26, 2012.

Many of the ideas generated over the past five years by the FDD and Mr. Dubowitz have made their way into the international sanctions package now being applied to Iran — restrictions on gasoline sales, curbed investments in natural gas development, embargoed oil exports, targeted sanctions aimed at its Revolutionary Guards Corps and bans on business dealings with its Central Bank.

“Oil is the lifeblood of the regime,” Mr. Dubowitz said. “Iran is essentially a one-crop country: They sell oil. It also has the second-largest natural gas resources in the world, but it can’t get it out of the ground because of investment restrictions. It can’t distribute it. It is actually a net importer of gas. At the end of the day, the Iranians sell oil.”

That’s the main source of Iran’s strength and its Achilles’ heel.

“I think that it is probably very unlikely that economic pressure is going to change [Iran’s Supreme Leader Ali] Khamenei’s commitment to building a [nuclear] bomb,” Mr. Dubowitz said.

“Men who talk about crushing the ‘enemies of God’ won’t give up their enriched uranium because transaction costs have increased. The acquisition of the bomb is now probably inseparable from the ruling elite’s religious identity.”

But sanctions that cripple Iran’s oil industry and rapidly deprive its government of crucial revenue could destabilize the country to a point where the regime might be in danger of falling.

“Designing sanctions to make Khamenei relent is a delusion,” Mr. Dubowitz wrote recently.

“Sanctions that could contribute to popular unrest and political tumult are not. The Great Arab Revolt and its forerunner, the Iranian summer of 2009, were propelled by profound frustration as well as indignation at tyranny. A democratic revolution might be reborn.”

In the past five years, sanctions are estimated to have cost the government in Tehran dearly. It has lost more than US\$60-billion in energy investment and US\$14-billion in oil sales; gasoline exports to Iran have been cut by 90%, while an estimated US\$4.4-trillion of Iranian natural gas has been prevented from reaching markets.

More recent sanctions imposed by Washington on companies doing business with Iran’s Central Bank have made it enormously complicated for Iran to receive payment for its oil, particularly from China, India and South Korea.

But Mr. Dubowitz is still looking for ways to increase the pressure.

“My whole theory is that the goal of sanctions is not to impose a complete embargo on Iranian oil or to cut Iran off completely from international global markets, but to significantly ratchet up the hassle factor in doing business with Iran and to persuade ‘white-hatted companies’ from doing business with Iran, leaving the ‘black-hatted companies’ who would never comply with sanctions to negotiate significant concessions from the Iranians in the form of discounts on the price of oil or premiums on the supply of gasoline,” he said.

“That’s what the Chinese are doing now. They have literally and figuratively got the Iranians over a barrel so they are driving for discounts and better prices for oil. On the other side of it, the Chinese are selling the Iranians gasoline and charging them 25% to 30% premiums.”

Similarly, there are banks around the world that are willing to do business with Iranian banks controlled by the Revolutionary Guard Corps and the Central Bank of Iran, but they are being forced to pay significantly for the increased risks.

“The ultimate goal is to see sanctions that aren’t airtight, because they can never be airtight, but to see sanctions designed in a way that significantly drains the Iranian treasury of its hard earnings,” he said.

“Sanctions should never be thought of as a ‘silver bullet.’ But they can be thought of as ‘silver shrapnel’ — part of a comprehensive strategy. I think they can significantly wound the regime.”

Mr. Dubowitz, who was born in South Africa and raised in Toronto, studied at the University of Western Ontario and McGill University, before taking a law degree and a master’s of business administration at the University of Toronto. After he moved to Washington, he picked up a master’s in international public policy from John Hopkins University’s School of Advanced International Studies.

He spent eight years working as a lawyer and venture capitalist in Toronto, focusing on fundraising for early-stage technology companies. He was also director of international business development for Doubleclick, a global Internet advertising company that was ultimately purchased by Google, and director of corporate development and manager of European and Asian operations for FloNetwork, an email messaging marketing company later bought by Doubleclick.

In his work at the FDD, Mr. Dubowitz said he found “the intersection of foreign policy, law and business.”

“I had experience in all three,” he said. “I wasn’t some PhD who spoke Farsi and understood the inner workings of the theocratic regime. I wasn’t an award-winning economist or an international trade lawyer. I didn’t have particular depth in any one issue or area, but I had a pretty good experience in all three and an ability to integrate them.”

Using that experience, he has produced eight reports that provide research and analysis in support of strong, broad-based energy sanctions on Iran.

Six of those reports are documents that have been shared only with the Obama administration and selected congressional offices.

“There are a lot of people who deserve credit for what has already happened,” Mr. Dubowitz said.

“There are members of Congress and their particular, hard-working staff and people within the administration and internationally. It’s one of those rare issues where there is broad and deep bipartisan support, which is rare in Washington, and there is a really impressive international coalition.”

But time may be running out for sanctions to work and convince Iran to abandon its quest for nuclear weapons.

“I think sanctions have to impose severe economic pressure on this regime over the next 12 months or even sooner. If we are in June or July this year and these oil market sanctions, for whatever reason, are not leading to a significant drop in Iranian oil revenues, then we are in a situation where the range of peaceful alternatives is almost exhausted.”

STATE OF NEW YORK

8668--A

2011-2012 Regular Sessions

IN ASSEMBLY

October 27, 2011

Introduced by M. of A. SILVER, FARRELL, CANESTRARI, LAVINE, WEINSTEIN, ENGLEBRIGHT, GLICK, MORELLE, P. RIVERA, CAHILL -- Multi-Sponsored by -- M. of A. ABINANTI, BENEDETTO, BRAUNSTEIN, BRINDISI, COLTON, COOK, CRESPO, CYMBROWITZ, DINOWITZ, ESPINAL, GABRYSZAK, GOLDFEDER, GOTTFRIED, HOOPER, JACOBS, JAFFEE, LANCMAN, LATIMER, LIFTON, LINARES, LUPARDO, MAGEE, MAISEL, MARKEY, McENENY, NOLAN, ORTIZ, PAULIN, PEOPLES-STOKES, REILLY, ROBERTS, RYAN, SCARBOROUGH, SCHIMEL, SIMANOWITZ, SIMOTAS, SPANO, SWEENEY, THIELE, TITONE, WEISENBERG, ZEBROWSKI -- read once and referred to the Committee on Governmental Operations -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the state finance law and the general municipal law, in relation to enacting the Iran divestment act of 2012

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 Section 1. This act shall be known and may be cited as the "Iran
2 Divestment Act of 2012".
- 3 S 2. The legislature hereby finds and declares all of the following:
- 4 (a) Congress and the President have determined that the illicit nucle-
5 ar activities of the Government of Iran, combined with its development
6 of unconventional weapons and ballistic missiles, and its support of
7 international terrorism, represent a serious threat to the security of
8 the United States, Israel, and other United States allies in Europe, the
9 Middle East, and around the world.
- 10 (b) The International Atomic Energy Agency has repeatedly called
11 attention to Iran's unlawful nuclear activities, and, as a result, the
12 United Nations Security Council has adopted a range of sanctions
13 designed to encourage the government of Iran to cease those activities
14 and comply with its obligations under the Treaty on the Non-Prolifera-
15 tion of Nuclear Weapons (commonly known as the "Nuclear Non-Prolifera-
16 tion Treaty").

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets [] is old law to be omitted.

LBD13338-12-1

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2

- 1 (c) On July 1, 2010, President Barack Obama signed into law H.R.
2 2194, the "Comprehensive Iran Sanctions, Accountability, and Divestment
3 Act of 2010" (Public Law 111-195), which expressly authorizes states and
4 local governments to prevent investment in, including prohibiting entry
5 into or renewing contracts with, companies operating in Iran's energy
6 sector with investments that have the result of directly or indirectly
7 supporting the efforts of the government of Iran to achieve nuclear
8 weapons capability.
- 9 (d) The serious and urgent nature of the threat from Iran demands that
10 states, local governments, and private institutions work together with
11 the federal government and American allies to do everything possible
12 diplomatically, politically, and economically to prevent Iran from

13 acquiring a nuclear weapons capability.

14 (e) Respect for human rights in Iran has steadily deteriorated as
15 demonstrated by transparently fraudulent elections and the brutal
16 repression and murder, arbitrary arrests, and show trials of peaceful
17 dissidents.

18 (f) The concerns of the state of New York regarding Iran are strictly
19 the result of the actions of the government of Iran and should not be
20 construed as enmity towards the Iranian people.

21 (g) In order to effectively address the need for the governments of
22 this state to respond to the policies of Iran in a uniform fashion,
23 prohibiting contracts with persons engaged in investment activities in
24 the energy sector of Iran must be accomplished on a statewide basis.

25 (h) It is the intent of the legislature to fully implement the author-
26 ity granted under Section 202 of the Comprehensive Iran Sanctions,
27 Accountability, and Divestment Act of 2010 (Public Law 111-195).

28 S 3. The state finance law is amended by adding a new section 165-a to
29 read as follows:

30 S 165-A. IRAN DIVESTMENT. 1. AS USED IN THIS SECTION, THE FOLLOWING
31 DEFINITIONS SHALL APPLY:

32 (A) "ENERGY SECTOR" OF IRAN MEANS ACTIVITIES TO DEVELOP PETROLEUM OR
33 NATURAL GAS RESOURCES OR NUCLEAR POWER IN IRAN.

34 (B) "FINANCIAL INSTITUTION" MEANS THE TERM AS USED IN SECTION 14 OF
35 THE IRAN SANCTIONS ACT OF 1996 (PUBLIC LAW 104-172; 50 U.S.C. 1701
36 NOTE).

37 (C) "INVESTMENT" MEANS A COMMITMENT OR CONTRIBUTION OF FUNDS OR PROP-
38 erty, A LOAN OR OTHER EXTENSION OF CREDIT; AND THE ENTRY INTO OR RENEWAL
39 OF A CONTRACT FOR GOODS OR SERVICES.

40 (D) "IRAN" INCLUDES THE GOVERNMENT OF IRAN AND ANY AGENCY OR INSTRU-
41 mentality OF IRAN.

42 (E) "PERSON" MEANS ANY OF THE FOLLOWING:

43 (1) A NATURAL PERSON, CORPORATION, COMPANY, LIMITED LIABILITY COMPANY,
44 BUSINESS ASSOCIATION, PARTNERSHIP, SOCIETY, TRUST, OR ANY OTHER NONGOV-
45 ERNMENTAL ENTITY, ORGANIZATION, OR GROUP.

46 (2) ANY GOVERNMENTAL ENTITY OR INSTRUMENTALITY OF A GOVERNMENT,
47 INCLUDING A MULTILATERAL DEVELOPMENT INSTITUTION, AS DEFINED IN SECTION
48 1701(C)(3) OF THE INTERNATIONAL FINANCIAL INSTITUTIONS ACT (22 U.S.C.
49 262R(C)(3)).

50 (3) ANY SUCCESSOR, SUBUNIT, PARENT ENTITY, OR SUBSIDIARY OF, OR ANY
51 ENTITY UNDER COMMON OWNERSHIP OR CONTROL WITH, ANY ENTITY DESCRIBED IN
52 SUBPARAGRAPH ONE OR TWO OF THIS PARAGRAPH.

53 2. FOR PURPOSES OF THIS SECTION, A PERSON ENGAGES IN INVESTMENT ACTIV-
54 ITIES IN IRAN IF:

55 (A) THE PERSON PROVIDES GOODS OR SERVICES OF TWENTY MILLION DOLLARS OR
56 MORE IN THE ENERGY SECTOR OF IRAN, INCLUDING A PERSON THAT PROVIDES OIL
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1 OR LIQUEFIED NATURAL GAS TANKERS, OR PRODUCTS USED TO CONSTRUCT OR MAIN-
2 TAIN PIPELINES USED TO TRANSPORT OIL OR LIQUEFIED NATURAL GAS, FOR THE
3 ENERGY SECTOR OF IRAN; OR

4 (B) THE PERSON IS A FINANCIAL INSTITUTION THAT EXTENDS TWENTY MILLION
5 DOLLARS OR MORE IN CREDIT TO ANOTHER PERSON, FOR FORTY-FIVE DAYS OR
6 MORE, IF THAT PERSON WILL USE THE CREDIT TO PROVIDE GOODS OR SERVICES IN
7 THE ENERGY SECTOR IN IRAN AND IS IDENTIFIED ON A LIST CREATED PURSUANT
8 TO PARAGRAPH (B) OF SUBDIVISION THREE OF THIS SECTION AS A PERSON ENGAG-
9 ING IN INVESTMENT ACTIVITIES IN IRAN AS DESCRIBED IN PARAGRAPH (A) OF
10 THIS SUBDIVISION.

11 3. (A) A PERSON THAT IS IDENTIFIED ON A LIST CREATED PURSUANT TO PARA-
12 GRAPH (B) OF THIS SUBDIVISION AS A PERSON ENGAGING IN INVESTMENT ACTIV-
13 ITIES IN IRAN AS DESCRIBED IN SUBDIVISION TWO OF THIS SECTION, SHALL NOT
14 BE DEEMED A RESPONSIVE BIDDER OR OFFERER PURSUANT TO SECTION ONE HUNDRED
15 SIXTY-THREE OF THIS ARTICLE.

16 (B) (1) NOT LATER THAN ONE HUNDRED TWENTY DAYS AFTER THE EFFECTIVE
17 DATE OF THIS SECTION, THE COMMISSIONER SHALL DEVELOP OR CONTRACT TO
18 DEVELOP, USING CREDIBLE INFORMATION AVAILABLE TO THE PUBLIC, A LIST OF
19 PERSONS IT DETERMINES ENGAGE IN INVESTMENT ACTIVITIES IN IRAN AS
20 DESCRIBED IN SUBDIVISION TWO OF THIS SECTION. IF THE COMMISSIONER HAS

21 CONTRACTED TO DEVELOP THE LIST, THE LIST SHALL BE FINALLY DEVELOPED NOT
22 LATER THAN ONE HUNDRED TWENTY DAYS AFTER THIS SECTION SHALL TAKE EFFECT.
23 SUCH LIST, WHEN COMPLETED, SHALL BE POSTED ON THE WEBSITE OF THE OFFICE
24 OF GENERAL SERVICES.

25 (2) THE COMMISSIONER SHALL UPDATE THE LIST EVERY ONE HUNDRED EIGHTY
26 DAYS.

27 (3) BEFORE FINALIZING AN INITIAL LIST PURSUANT TO SUBPARAGRAPH ONE OF
28 THIS PARAGRAPH OR AN UPDATED LIST PURSUANT TO SUBPARAGRAPH TWO OF THIS
29 PARAGRAPH, THE COMMISSIONER SHALL DO ALL OF THE FOLLOWING BEFORE A
30 PERSON IS INCLUDED ON THE LIST:

31 (A) PROVIDE NINETY DAYS' WRITTEN NOTICE OF THE COMMISSIONER'S INTENT
32 TO INCLUDE THE PERSON ON THE LIST. THE NOTICE SHALL INFORM THE PERSON
33 THAT INCLUSION ON THE LIST WOULD MAKE THE PERSON A NON-RESPONSIVE BIDDER
34 OR OFFERER. THE NOTICE SHALL SPECIFY THAT THE PERSON, IF IT CEASES ITS
35 ENGAGEMENT IN INVESTMENT ACTIVITIES IN IRAN AS DESCRIBED IN SUBDIVISION
36 TWO OF THIS SECTION, MAY BE REMOVED FROM THE LIST.

37 (B) THE COMMISSIONER SHALL PROVIDE A PERSON WITH AN OPPORTUNITY TO
38 COMMENT IN WRITING THAT IT IS NOT ENGAGED IN INVESTMENT ACTIVITIES IN
39 IRAN. IF THE PERSON DEMONSTRATES TO THE COMMISSIONER THAT THE PERSON IS
40 NOT ENGAGED IN INVESTMENT ACTIVITIES IN IRAN AS DESCRIBED IN SUBDIVISION
41 TWO OF THIS SECTION, THE PERSON SHALL NOT BE INCLUDED ON THE LIST.

42 (4) THE COMMISSIONER SHALL MAKE EVERY EFFORT TO AVOID ERRONEOUSLY
43 INCLUDING A PERSON ON THE LIST.

44 (5) A PERSON THAT HAS A CONTRACT WITH THE NEW YORK STATE COMMON
45 RETIREMENT FUND, THE NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT
46 SYSTEM, THE NEW YORK STATE AND LOCAL POLICE AND FIRE RETIREMENT SYSTEM,
47 OR THE NEW YORK STATE TEACHERS' RETIREMENT SYSTEM, SHALL NOT BE DEEMED A
48 PERSON THAT ENGAGES IN INVESTMENT ACTIVITIES IN IRAN AS DESCRIBED IN
49 SUBDIVISION TWO OF THIS SECTION ON THE BASIS OF THOSE CONTRACTS OR
50 INVESTMENTS WITH SUCH RETIREMENT SYSTEMS, PROVIDED HOWEVER, THAT NOTHING
51 IN THIS SUBPARAGRAPH SHALL PREVENT THE NEW YORK STATE COMMON RETIREMENT
52 FUND, THE NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM, NEW
53 YORK STATE AND LOCAL POLICE AND FIRE RETIREMENT SYSTEM OR THE NEW YORK
54 STATE TEACHERS' RETIREMENT SYSTEM FROM PURSUING A POLICY OF DIVESTMENT
55 IN THE IRANIAN ECONOMY.

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4

1 (C) NOTWITHSTANDING PARAGRAPH (A) OF THIS SUBDIVISION, A STATE AGENCY
2 MAY PERMIT A PERSON ENGAGED IN INVESTMENT ACTIVITIES IN IRAN AS
3 DESCRIBED BY SUBDIVISION TWO OF THIS SECTION TO BE DEEMED A RESPONSIVE
4 BIDDER OR OFFERER, ON A CASE-BY-CASE BASIS WITH A STATE AGENCY IF:

5 (1) THE INVESTMENT ACTIVITIES IN IRAN WERE MADE BEFORE THE EFFECTIVE
6 DATE OF THIS SECTION, THE INVESTMENT ACTIVITIES IN IRAN HAVE NOT BEEN
7 EXPANDED OR RENEWED AFTER THE EFFECTIVE DATE OF THIS SECTION, AND THE
8 PERSON HAS ADOPTED, PUBLICIZED, AND IS IMPLEMENTING A FORMAL PLAN TO
9 CEASE THE INVESTMENT ACTIVITIES IN IRAN AND TO REFRAIN FROM ENGAGING IN
10 ANY NEW INVESTMENTS IN IRAN; OR

11 (2) THE STATE AGENCY MAKES A DETERMINATION THAT THE COMMODITIES OR
12 SERVICES ARE NECESSARY FOR THE STATE AGENCY TO PERFORM ITS FUNCTIONS AND
13 THAT, ABSENT SUCH AN EXEMPTION, THE STATE AGENCY WOULD BE UNABLE TO
14 OBTAIN THE COMMODITIES OR SERVICES FOR WHICH THE CONTRACT IS OFFERED.
15 SUCH DETERMINATION SHALL BE ENTERED INTO THE PROCUREMENT RECORD.

16 4. (A) A STATE AGENCY SHALL REQUIRE A PERSON THAT SUBMITS A BID OR
17 OFFER IN RESPONSE TO A NOTICE OF PROCUREMENT, OR THAT PROPOSES TO RENEW
18 AN EXISTING PROCUREMENT CONTRACT WITH A STATE AGENCY OR PROPOSES TO
19 ASSUME THE RESPONSIBILITY OF A CONTRACTOR PURSUANT TO A PROCUREMENT
20 CONTRACT WITH A STATE AGENCY OR OTHERWISE PROPOSES TO ENTER INTO A
21 CONTRACT WITH A STATE AGENCY WITH RESPECT TO A CONTRACT FOR COMMODITIES,
22 SERVICES, CONSTRUCTION, OR CONTRACTS ENTERED PURSUANT TO SECTIONS SIX
23 AND SEVEN OF THE NEW YORK STATE PRINTING AND PUBLIC DOCUMENTS LAW,
24 SECTION EIGHT OF THE PUBLIC BUILDINGS LAW, OR SECTION THIRTY-EIGHT OF
25 THE HIGHWAY LAW, TO CERTIFY, AT THE TIME THE BID IS SUBMITTED OR THE
26 CONTRACT IS RENEWED OR ASSIGNED, THAT THE PERSON OR THE ASSIGNEE IS NOT
27 IDENTIFIED ON A LIST CREATED PURSUANT TO PARAGRAPH (B) OF SUBDIVISION
28 THREE OF THIS SECTION. A STATE AGENCY SHALL INCLUDE CERTIFICATION INFOR-
29 MATION IN THE PROCUREMENT RECORD.

30 (B) A PERSON THAT SUBMITS A BID OR OFFER IN RESPONSE TO A NOTICE OF
31 PROCUREMENT OR THAT PROPOSES TO RENEW AN EXISTING PROCUREMENT CONTRACT
32 WITH A STATE AGENCY OR PROPOSES TO ASSUME THE RESPONSIBILITY OF A
33 CONTRACTOR PURSUANT TO A PROCUREMENT CONTRACT WITH A STATE AGENCY, OR
34 OTHERWISE PROPOSES TO ENTER INTO A CONTRACT WITH A STATE AGENCY WITH
35 RESPECT TO A CONTRACT FOR COMMODITIES, SERVICES, CONSTRUCTION, OR
36 CONTRACTS ENTERED PURSUANT TO SECTIONS SIX AND SEVEN OF THE NEW YORK
37 STATE PRINTING AND PUBLIC DOCUMENTS LAW, SECTION EIGHT OF THE PUBLIC
38 BUILDINGS LAW, OR SECTION THIRTY-EIGHT OF THE HIGHWAY LAW SHALL NOT
39 UTILIZE, ON THE CONTRACT WITH THE STATE AGENCY, ANY SUBCONTRACTOR THAT
40 IS IDENTIFIED ON A LIST CREATED PURSUANT TO PARAGRAPH (B) OF SUBDIVISION
41 THREE OF THIS SECTION.

42 5. UPON RECEIVING INFORMATION THAT A PERSON WHO HAS MADE THE CERTIF-
43 ICATION REQUIRED BY SUBDIVISION FOUR OF THIS SECTION IS IN VIOLATION
44 THEREOF, THE STATE AGENCY SHALL REVIEW SUCH INFORMATION AND OFFER THE
45 PERSON AN OPPORTUNITY TO RESPOND. IF THE PERSON FAILS TO DEMONSTRATE
46 THAT IS HAS CEASED ITS ENGAGEMENT IN THE INVESTMENT WHICH IS IN
47 VIOLATION OF THIS ACT WITHIN NINETY DAYS AFTER THE DETERMINATION OF SUCH
48 VIOLATION, THEN THE STATE AGENCY SHALL TAKE SUCH ACTION AS MAY BE APPRO-
49 PRIATE AND PROVIDED FOR BY LAW, RULE OR CONTRACT, INCLUDING, BUT NOT
50 LIMITED TO, IMPOSING SANCTIONS, SEEKING COMPLIANCE, RECOVERING DAMAGES
51 OR DECLARING THE CONTRACTOR IN DEFAULT.

52 6. THE COMMISSIONER SHALL REPORT TO THE GOVERNOR AND THE LEGISLATURE
53 ANNUALLY ON OR BEFORE OCTOBER FIRST, ON THE STATUS OF THE FEDERAL
54 "COMPREHENSIVE IRAN SANCTIONS, ACCOUNTABILITY, AND DIVESTMENT ACT OF
55 2010" (PUBLIC LAW 111-195), "THE IRAN DIVESTMENT ACT OF 2012", AND ANY
56 RULES OR REGULATIONS ADOPTED THEREUNDER.

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5

1 S 4. The general municipal law is amended by adding a new section
2 103-g to read as follows:

3 S 103-G. IRANIAN ENERGY SECTOR DIVESTMENT. 1. AS USED IN THIS
4 SECTION:

5 A. "ENERGY SECTOR" SHALL HAVE THE SAME MEANING AS DEFINED IN PARAGRAPH
6 (A) OF SUBDIVISION ONE OF SECTION ONE HUNDRED SIXTY-FIVE-A OF THE STATE
7 FINANCE LAW.

8 B. "FINANCIAL INSTITUTION" SHALL HAVE THE SAME MEANING AS DEFINED IN
9 PARAGRAPH (B) OF SUBDIVISION ONE OF SECTION ONE HUNDRED SIXTY-FIVE-A OF
10 THE STATE FINANCE LAW.

11 C. "INVESTMENT" SHALL HAVE THE SAME MEANING AS DEFINED IN PARAGRAPH
12 (C) OF SUBDIVISION ONE OF SECTION ONE HUNDRED SIXTY-FIVE-A OF THE STATE
13 FINANCE LAW.

14 D. "IRAN" SHALL HAVE THE SAME MEANING AS DEFINED IN PARAGRAPH (D) OF
15 SUBDIVISION ONE OF SECTION ONE HUNDRED SIXTY-FIVE-A OF THE STATE FINANCE
16 LAW.

17 E. "PERSON" SHALL HAVE THE SAME MEANING AS DEFINED IN PARAGRAPH (E)
18 OF SUBDIVISION ONE OF SECTION ONE HUNDRED SIXTY-FIVE-A OF THE STATE
19 FINANCE LAW.

20 2. FOR PURPOSES OF THIS SECTION, A PERSON ENGAGES IN INVESTMENT ACTIV-
21 ITIES IN IRAN IF:

22 A. THE PERSON PROVIDES GOODS OR SERVICES OF TWENTY MILLION DOLLARS OR
23 MORE IN THE ENERGY SECTOR OF IRAN, INCLUDING A PERSON THAT PROVIDES OIL
24 OR LIQUEFIED NATURAL GAS TANKERS, OR PRODUCTS USED TO CONSTRUCT OR MAIN-
25 TAIN PIPELINES USED TO TRANSPORT OIL OR LIQUEFIED NATURAL GAS, FOR THE
26 ENERGY SECTOR OF IRAN; OR

27 B. THE PERSON IS A FINANCIAL INSTITUTION THAT EXTENDS TWENTY MILLION
28 DOLLARS OR MORE IN CREDIT TO ANOTHER PERSON, FOR FORTY-FIVE DAYS OR
29 MORE, IF THAT PERSON WILL USE THE CREDIT TO PROVIDE GOODS OR SERVICES IN
30 THE ENERGY SECTOR IN IRAN.

31 3. A PERSON THAT IS IDENTIFIED ON A LIST CREATED PURSUANT TO PARAGRAPH
32 (B) OF SUBDIVISION THREE OF SECTION ONE HUNDRED SIXTY-FIVE-A OF THE
33 STATE FINANCE LAW AS A PERSON ENGAGING IN INVESTMENT ACTIVITIES IN IRAN
34 AS DESCRIBED IN SUBDIVISION TWO OF THIS SECTION, SHALL NOT BE DEEMED A
35 RESPONSIBLE BIDDER OR OFFERER PURSUANT TO SECTION ONE HUNDRED THREE OF
36 THIS ARTICLE.

37 4. EVERY BID OR PROPOSAL HEREAFTER MADE TO A POLITICAL SUBDIVISION OF

38 THE STATE OR ANY PUBLIC DEPARTMENT, AGENCY OR OFFICIAL THEREOF WHERE
39 COMPETITIVE BIDDING IS REQUIRED BY STATUTE, RULE, REGULATION OR LOCAL
40 LAW, FOR WORK OR SERVICES PERFORMED OR TO BE PERFORMED OR GOODS SOLD OR
41 TO BE SOLD, SHALL CONTAIN THE FOLLOWING STATEMENT SUBSCRIBED BY THE
42 BIDDER AND AFFIRMED BY SUCH BIDDER AS TRUE UNDER THE PENALTIES OF PERJU-
43 RY:

44 A. "BY SUBMISSION OF THIS BID, EACH BIDDER AND EACH PERSON SIGNING ON
45 BEHALF OF ANY BIDDER CERTIFIES, AND IN THE CASE OF A JOINT BID EACH
46 PARTY THERETO CERTIFIES AS TO ITS OWN ORGANIZATION, UNDER PENALTY OF
47 PERJURY, THAT TO THE BEST OF ITS KNOWLEDGE AND BELIEF THAT EACH BIDDER
48 IS NOT ON THE LIST CREATED PURSUANT TO PARAGRAPH (B) OF SUBDIVISION 3 OF
49 SECTION 165-A OF THE STATE FINANCE LAW."

50 B. NOTWITHSTANDING PARAGRAPH A OF THIS SUBDIVISION, THE STATEMENT OF
51 NON-INVESTMENT IN THE IRANIAN ENERGY SECTOR MAY BE SUBMITTED ELECTRON-
52 ICALLY IN ACCORDANCE WITH THE PROVISIONS OF SUBDIVISION ONE OF SECTION
53 ONE HUNDRED THREE OF THIS ARTICLE.

54 C. A BID SHALL NOT BE CONSIDERED FOR AWARD NOR SHALL ANY AWARD BE MADE
55 WHERE THE CONDITION SET FORTH IN PARAGRAPH A OF THIS SUBDIVISION HAS NOT
56 BEEN COMPLIED WITH; PROVIDED, HOWEVER, THAT IF IN ANY CASE THE BIDDER
A. 8668--A 6

1 CANNOT MAKE THE FOREGOING CERTIFICATION, THE BIDDER SHALL SO STATE AND
2 SHALL FURNISH WITH THE BID A SIGNED STATEMENT WHICH SETS FORTH IN DETAIL
3 THE REASONS THEREFOR. A POLITICAL SUBDIVISION MAY AWARD A BID TO A
4 BIDDER WHO CANNOT MAKE THE CERTIFICATION PURSUANT TO PARAGRAPH A OF THIS
5 SUBDIVISION ON A CASE-BY-CASE BASIS IF:

6 (1) THE INVESTMENT ACTIVITIES IN IRAN WERE MADE BEFORE THE EFFECTIVE
7 DATE OF THIS SECTION, THE INVESTMENT ACTIVITIES IN IRAN HAVE NOT BEEN
8 EXPANDED OR RENEWED AFTER THE EFFECTIVE DATE OF THIS SECTION, AND THE
9 PERSON HAS ADOPTED, PUBLICIZED, AND IS IMPLEMENTING A FORMAL PLAN TO
10 CEASE THE INVESTMENT ACTIVITIES IN IRAN AND TO REFRAIN FROM ENGAGING IN
11 ANY NEW INVESTMENTS IN IRAN; OR

12 (2) THE POLITICAL SUBDIVISION MAKES A DETERMINATION THAT THE GOODS OR
13 SERVICES ARE NECESSARY FOR THE POLITICAL SUBDIVISION TO PERFORM ITS
14 FUNCTIONS AND THAT, ABSENT SUCH AN EXEMPTION, THE POLITICAL SUBDIVISION
15 WOULD BE UNABLE TO OBTAIN THE GOODS OR SERVICES FOR WHICH THE CONTRACT
16 IS OFFERED. SUCH DETERMINATION SHALL BE MADE IN WRITING AND SHALL BE A
17 PUBLIC DOCUMENT.

18 S 5. The secretary of state shall submit to the attorney general of
19 the United States a written notice describing this act within 30 days
20 after the effective date of this act.

21 S 6. Severability. If any clause, sentence, paragraph, section or part
22 of this act shall be adjudged by any court of competent jurisdiction to
23 be invalid and after exhaustion of all further judicial review, the
24 judgment shall not affect, impair or invalidate the remainder thereof,
25 but shall be confined in its operation to the clause, sentence, para-
26 graph, section or part of this act directly involved in the controversy
27 in which the judgment shall have been rendered.

28 S 7. This act shall take effect on the ninetieth day after it shall
29 have become a law; provided, however, that effective immediately, the
30 addition, amendment and/or repeal of any rule or regulation necessary
31 for the implementation of this act on its effective date are authorized
32 and directed to be made and completed on or before such effective date.

**MINNESOTA
STATE
BOARD OF
INVESTMENT**



Board Members:

Governor
Mark Dayton

State Auditor
Rebecca Otto

Secretary of State
Mark Ritchie

Attorney General
Swanson

Executive Director:

Howard J. Bicker

60 Empire Drive
Suite 355
St. Paul, MN 55103
(651) 296-3328
FAX (651) 296-9572

E-mail:
minn.sbi@state.mn.us
www.sbi.state.mn.us

An Equal Opportunity
Employer

DATE: January 18, 2011

TO: Senator Mike Parry, Chair, Senate Committee on
State Government Innovation and Veterans
Senator Charles W. Wiger, Senate Committee on State
Government Innovation and Veterans

Senator Claire Robling
Chair, Senate Committee on Finance

Representative Joyce Peppin, Chair, House Committee on
Government Operations and Elections
Representative Michael V. Nelson, House Committee on
Government Operations and Elections

Representative Mary Liz Holberg, Chair, House Committee
on Ways and Means
Representative Lyndon Carlson, Sr., House Committee
on Way and Means

Representative Morrie Lanning, Chair, House Committee
on State Government Finance
Representative Phyllis Kahn, House Committee on State
Government Finance

FROM: 
Howard Bicker, Executive Director

SUBJECT: Report on Iran Required by Laws of Minnesota 2009, Chapter 90

Laws of Minnesota 2009, Chapter 90, codified as *Minnesota Statutes*, section 11A.244, requires the State Board of Investment (SBI) to submit a report to the chairs of the legislative committees and divisions with jurisdiction over the SBI concerning the SBI's identification of, communication with and discontinuance of investment in certain companies with operations in Iran.

Chapter 90, section 1, subdivision 9 specifies that the SBI include in the report:

1. A list of scrutinized companies
2. Summary of correspondence with companies
3. A list of investments divested
4. A list of prohibited investments
5. A description of any progress in having investment management firms create investment funds that exclude Iran companies

As provided for in Section 1, subdivision 2 of Chapter 90, the SBI purchased Iran research services from RiskMetrics Group, now ISS, regarding companies with business operations in Iran.

Attachment 1 is the list of scrutinized companies.

Attachment 2 displays copies of letters received in 2010 from companies to which the SBI sent correspondence. The SBI sent a letter to a single company December 10, 2010 to which it has not received a reply.

Chapter 90 calls for divestment of securities of companies which do not publicly announce substantial action specific to Iran within 90 days of the SBI correspondence. The SBI divested approximately 5.2 million shares of stock of five companies currently on the list of Iran Companies Requiring Divestment. Two other companies are on the list, but no divestment is required until the end of January 2011.

Attachment 3 is the list of restricted companies sent to SBI equity and bond managers. The managers are explicitly instructed to refrain from purchasing securities of companies on this list.

SBI recognizes the impact on the entire portfolio of the Iran investment restrictions and is discussing with its consultant and Investment Advisory Council the feasibility of creating a non-Iran portfolio.

ATTACHMENT 1**RESTRICTED IRAN COMPANIES
SECURITIES OF COMPANIES MAY NOT BE PURCHASED FOR PORTFOLIO**

ISSUER_NAME	COUNTRY
China Petroleum & Chemical Corporation	China
CNOOC Ltd	Hong Kong
Costain Group PLC	UK
Daelim Industrial Company Limited	South Korea
Edison SpA	Italy
Energetiki i Elektrifikatsii OAO AKA Mosenergo	Russia
Gazprom OAO	Russia
Gazprom NeftOAO	Russia
GS Engineering & Construction Corporation	South Korea
INA-Industrija nafte d.d	Croatia
Indian Oil Corporation Ltd.	India
KunLun Energy Company Limited	Hong Kong
L'Air Liquide SA	France
Lanka IOC PLC	Sri Lanka
Liquefied Natural Gas Ltd	Australia
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Malaysia Marine and Heavy Engineering Holdings Bhd	Malaysia
Mangalore Refinery and Petrochemicals Ltd	India
Oil and Natural Gas Corporation Limited	India
OMV Aktiengesellschaft	Austria
OMV Petrom S.A.	Romania
PetroChina Company Limited	China
Petrofac Limited	UK
Petronas Dagangan Bhd	Malaysia
Petronas Gas Berhad	Malaysia
PetroVietnam Consultancy and Engineering Corp	Vietnam
PetroVietnam Fertilizer and Chemicals Corp	Vietnam
PetroVietNam Southern Gas Joint Stock Co	Vietnam
Petrovietnam Transportation Corporation	Vietnam
PTT Exploration and Production Public Company Limited	Thailand
Sasol Limited	South Africa
SGS SA	Switzerland
Sinopec Kantons Holdings Ltd.	Hong Kong
Sinopec Shanghai Petrochemical Company Limited	China
Sinopec Yizheng Chemical Fibre Company Limited	China
Technip	France

Effective Date: January 10, 2011

Attachment 2

Correspondence with Companies

Technip

November 30, 2010

Minnesota State Board of Investment
60 Empire Drive
Suite 355
St Paul MN 55103
USA
Attn: Mrs Teresa J. Richardson

Dear Mrs Richardson,

Thank you for your letter inquiring about Technip's activities in Iran.

We believe that this is an important issue. Technip's activities in Iran have decreased significantly since 2004. Over the last five years, its activity there has been essentially limited to the completion of older projects. Technip's remaining activities in Iran consist principally of project management services. Technip pays no corporate income tax in Iran. The completion of projects in Iran generated less than 0.04% of Technip's revenues in 2009.

Additionally, in January 2007 Technip sold its 20% interest in Nargan, an Iranian engineering company.

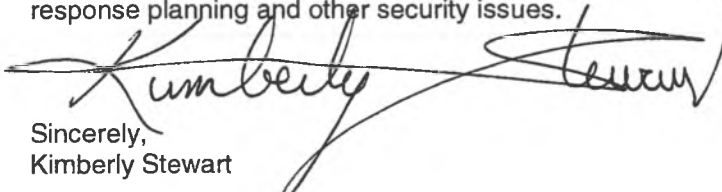
Technip has no humanitarian involvement in Iran. Moreover, as per its corporate policy, Technip has no political involvement in this country.

If the EU or France were to increase sanctions against Iran, Technip would take any steps necessary to be in line with legal requirements as soon as practically possible in order to comply with such changes. In any case, as one of Technip's priorities is strict adherence to the law, our company will respect any deadlines that may be imposed.

Technip has various procedures in place to address risks in countries considered to be politically unstable. Technip may also decide to reduce its exposure to a specific region or country by deciding not to perform new projects there. Furthermore, Technip is in contact with export credit agencies and insurance companies to obtain insurance coverage against political risk, where required. In all cases, Technip is strictly in line with applicable legislation.

Technip devotes important resources to its employees' security. The Group has an in-house risk classification procedure for countries where Technip operates. Countries are classified into risk levels. This internal procedure is constantly updated and has a direct impact on travel by Technip employees: travel to high-risk countries is strictly prohibited.

A Security Committee makes decision with regards to travel limitations for classified countries, emergency response planning and other security issues.



Sincerely,
Kimberly Stewart

Head of Investor Relations
Tel: + 33 1 47 78 66 74 / Fax: + 33 1 47 78 67 58
Mb: +33 6 37 01 42 68
kstewart@technip.com

Euronext ISIN: FR0000131708
ADR ISIN: US8785462099
A Component of the Dow Jones Sustainability World Index

October 15, 2010

Mr. Howard Bicker
Executive Director
Minnesota State Board of Investment
60 Empire Drive Suite 355
St. Paul, MN 55103
United States

Dear Mr. Bicker:

Withdrawal from the Azadegan development project, Islamic Republic of Iran

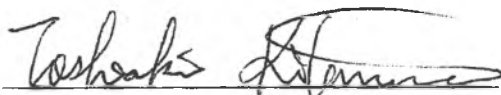
Regarding our business activities in the Islamic Republic of Iran, we would like to inform you of the withdrawal of Azadegan Petroleum Development, Ltd. (APD) from the Azadegan development project in the Islamic Republic of Iran, where APD, INPEX CORPORATION's wholly owned subsidiary, had a 10% participating interest. This withdrawal has been approved by the National Iranian Oil Company.

Accordingly we believe that INPEX should not be identified as the company for the divestment.

If you have any further questions, please contact Hiroshi Ikeda, Manager Corporate Strategy & Planning Group (Phone: +81-3-5572-0230 / E-mail: hiroshi.ikeda@inpex.co.jp) or Munehiro Hosono, Manager IR Group (Phone: +81-3-5572-0234/ E-mail: munehiro.hosono@inpex.co.jp).

For your reference, please find attached the press release relating to this matter, which we announced today.

Sincerely yours,



Toshiaki Kitamura
President
INPEX CORPORATION



Public Relations Group, Corporate Communications Unit
Akasaka Biz Tower, 5-3-1 Akasaka, Minato-ku, Tokyo 107-6332 JAPAN

[Attachment]

15 October 2010

Withdrawal from the Azadegan development project.
Islamic Republic of Iran

INPEX CORPORATION announced today that its affiliate, Azadegan Petroleum Development Ltd. (APD) reached an agreement with the National Iranian Oil Company regarding the withdrawal from the Azadegan development project in the Islamic Republic of Iran where APD had a 10% participating interest.

Media Contact: INPEX Tokyo Office, Public Relations Group, Tel) +81-3-5572-0233



October 29, 2010

Mr. Howard Bicker
Executive Director
Minnesota State Board Of Investment

Dear Mr. Howard Bicker:

In my capacity as President of JX Holdings, Inc., I am taking the liberty of replying on behalf of the Company to your letter to Chairman Shinji Nishio, dated June 14th.

We have been purchasing Sudanese crude oil on an as-needed basis. These purchases account for less than 5% of our total crude oil purchases in unit terms. We purchase Sudanese crude oil from international trading companies. We have not contracted directly with the Sudanese government or The Sudan National Petroleum Corporation (Sudapet), nor do we have any intention of doing so. All of aforementioned transactions have been spot procurement, not purchases pursuant to long-term contracts.

We do not have any offices, exploration or production interests or facilities, or any other revenue-generating assets or interests in Sudan, nor do we have any intention of having any. Furthermore, we have never provided goods or services directly to the Sudanese government, nor do we have any intention of doing so.

Sudanese crude oil has very low sulfur content, making it one of the more environmentally friendly grades of crude oil. In Japan, it is one of the few grades of crude oil that meets users' quality specifications as a fuel for thermal power plants. It is difficult to secure substitute supplies of equivalent-quality crude oil sufficient to completely eliminate our purchases of Sudanese crude oil, but in fiscal 2009 we reduced our Sudanese crude oil purchases by some 50% in unit terms relative to fiscal 2008. We will continue to diligently endeavor to secure substitute crude oil supplies while also placing priority on Japan's energy security and environmental considerations. We request your understanding in this regard.



The Future of Energy, Resources and Materials
JX Holdings, Inc.

6-3, Otemachi 2-chome, Chiyoda-ku
Tokyo 100-8161 JAPAN
www.hd.jx-group.co.jp

If there are any other points that you wish us to clarify, please do not hesitate to contact the staff person below.

Mr. Hirokazu Chiyo
Investor Relations Group
Finance & Investor Relations Department
JX Holdings, Inc.
Email : hirokazu.chivo@hd.jx-group.co.jp

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Takahagi', with a horizontal line extending to the right.

Mitsunori Takahagi
Representative Director, President
JX Holdings, Inc.



MARK L. JOHNSON
DIRECT DIAL NO. (612) 373-8377
MJOHNSON@GREENEESPEL.COM

June 28, 2010

VIA U.S. MAIL AND FACSIMILE

BUSINESS CONFIDENTIAL

Ms. Teresa J. Richardson
Assistant Executive Director
Minnesota State Board of Investment
60 Empire Drive, Suite 355
St. Paul, MN 55103
Fax: (651)296-9572

RE: Kanematsu Corporation

Dear Ms. Richardson:

Kanematsu Corporation asked my firm to look into the matter raised by your letter to Mr. Masaharu Hamakawa dated April 30, 2010.

In conducting our research regarding this matter, I contacted Jim Heidelberg of your office. Mr. Heidelberg advised me a consultant, RiskMetrics Group, had erroneously identified Kanematsu Corporation as a company with scrutinized business operations in Iran. He indicated that this was an error and that Kanematsu Corporation had been removed from that list. (See Attachment A.)

Kanematsu Corporation appreciates Mr. Heidelberg's confirmation that the Minnesota State Board of Investment ("MSBI") has removed Kanematsu Corporation from the MSBI's list of monitored companies. We thank you and your colleagues for correcting this matter quickly and in such a collegial manner.

Kanematsu Corporation is very concerned that it not be erroneously linked to scrutinized business activities in Iran. As such, we especially appreciated Mr. Heidelberg's confirmation that Kanematsu Corporation will not be publicly identified in connection with the MSBI's mission. We assume that if anyone should ever inquire about Kanematsu Corporation's initial inclusion on MSBI's list of scrutinized companies, MSBI staff will make clear that the proposed listing was erroneous, so as to ensure that no inference could be drawn that Kanematsu Corporation was at any time considered a company with scrutinized business operations in Iran. We also assume from Mr. Heidelberg's assurances that neither your April 30, 2009 letter nor this response will be included in your publicly-available reports to the Minnesota legislature.

Ms. Teresa J. Richardson
June 28, 2010
Page 2

As a final note, we are concerned that RiskMetrics Group has repeated its error regarding Kanematsu Corporation in communications to other clients. We would very much appreciate anything that MSBI can do to encourage RiskMetrics Group to correct its records and cease falsely suggesting that Kanematsu Corporation has conducted scrutinized business operations in Iran.

On behalf of Kanematsu, I thank you again for your office's responsiveness in correcting the record in connection with this matter.

Very truly yours,



Mark L. Johnson

MLJ/jk
Enclosure

cc: Masaharu Hamakawa

Attachment A - BUSINESS CONFIDENTIAL

From: Jim Heidelberg [mailto:Jim.Heidelberg@state.mn.us]
Sent: Monday, June 14, 2010 9:07 AM
To: Mark L. Johnson
Subject: RE: Kanematsu Corporation

Mr. Johnson,

I confirm that the facts of this issue are correct as you state. Kanematsu Corporation has been removed from the list of Iran companies that the Minnesota State Board of Investment monitors.

James E. Heidelberg
Manager, Public Programs
Minnesota State Board of Investment
651-296-3328

From: Mark L. Johnson [mailto:MJohnson@greeneespel.com]
Sent: Friday, June 11, 2010 4:19 PM
To: Jim.Heidelberg@state.mn.us
Subject: Kanematsu Corporation
Importance: High

Dear Mr. Heidelberg,

Thank you for taking my calls this afternoon. To confirm, I represent Kanematsu Corporation. Your office sent a letter to my client on or about April 30, 2010, stating that Kanematsu had engaged in scrutinized business operations in Iran that are subject to sanctions under U.S. law and to investment restrictions or divestment by the State of Minnesota, pursuant to Minnesota Statute 11A.244.

As you and I just discussed, Kanematsu was erroneously identified as having engaged in scrutinized business operations in Iran. You explained that MSBI's outside consultant sent MSBI an email on May 7, 2010 stating that Kanematsu had been included in error. MSBI does not contend that Kanematsu has engaged in scrutinized business operations in Iran, and Kanematsu does not need to respond to MSBI's letter of April 30, 2010.

Please confirm that all of this is correct. Please also confirm that Kanematsu's name will not be publicly disclosed in connection with this matter.

We appreciate MSBI's willingness to promptly correct the record. Thank you very much.

Sincerely,

Mark L. Johnson
Attorney
612-373-8377
mjohnson@GreeneEspel.com

Greene Espel P.L.L.P.
200 South Sixth Street, Suite 1200
Minneapolis, MN 55402-1415
612-373-0830 TEL
612-373-0929 FAX
www.greeneespel.com

30 July, 2010

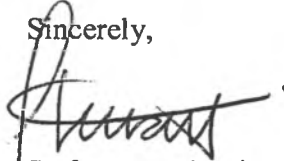
Minnesota State Board of Investment
60 Empire Drive
Suite 355
St. Paul, MN 55103
Attn: Teresa J. Richardson, Assistant Executive Director

Dear Ms. Richardson:

This letter is in response to your April 30, 2010 letter to Davide Trevisani, the CEO of Trevi Finanziaria Industriale S.p.A. ("Trevi"). With respect to your inquiry concerning Trevi's business activities in Iran, please note that one of Trevi's affiliates had been awarded a construction project to complete special foundation work for new quays at the commercial port of Bandar-Abbas in Iran. That project was substantially completed in September 2009, and neither Trevi's affiliate nor any other Trevi entity has any equipment or employees in Iran. Trevi is not engaged in any activities in Iran other than the collection of retention money due for work already completed. As such, we believe that Trevi does not have any so-called "scrutinized business operations" in Iran and should therefore be removed from the list of companies subject to divestment under *Minnesota Statutes*, Section 11A.244. If you require any further information or clarification, please do not hesitate to contact me.

Also, please share this information with the RiskMetrics Group if you are able to do so.

Sincerely,



Stefano Trevisani
Managing Director

Jim Heidelberg

From: Carol Nelson [Minn.Sbi@state.mn.us]
Sent: Tuesday, June 08, 2010 8:06 AM
To: James Heidelberg
Subject: FW: Answer for your inquiry (from JGC)

-----Original Message-----

From: ir@jgc.co.jp [mailto:ir@jgc.co.jp]
Sent: Tuesday, June 08, 2010 12:34 AM
To: Minn.Sbi@state.mn.us
Subject: Answer for your inquiry (from JGC)

June 8, 2010

Ms. Teresa J. Richardson
Assistant Executive Director
MINNESOTA STATE BOARD OF INVESTMENT

Dear Ms. Richardson:

A copy of your letter of April 30, 2010 to our Mr. Keisuke Takeuchi has been transferred to me for the attention of the Public Relations & Investor Relations Department. Thank you for this opportunity to respond on our business activities in Iran, and we are pleased to provide the following information.

JGC CORPORATION ("JGC") is not participating in any project in Iran, neither as engineer/constructor nor as investor. Moreover, JGC has no revenue, outstanding contracts and assets in Iran, nor conducts any activities in the mineral-extracting, nuclear, defense or other sectors in that country.

For any additional information required, please contact JGC's PR/IR Department by e-mail at ir@jgc.co.jp.

Sincerely,

Public Relations & Investor Relations Department
JGC CORPORATION
ir@jgc.co.jp

*** INTERNET E-MAIL CONFIDENTIALITY ***

This message and any attachment hereto may contain information that is privileged, confidential or otherwise protected from disclosure. If you are not the intended recipient, please notify the sender by return e-mail and destroy this message, along with any attachment. You are hereby formally advised that any unauthorized disclosure, copying or distribution of this material, or the taking of any action in relation to the contents is strictly prohibited. Thank you for your cooperation.

Jim Heidelberg

From: Carol Nelson [Minn.Sbi@state.mn.us]
Sent: Monday, July 19, 2010 8:00 AM
To: James Heidelberg
Subject: FW: Clarification on operations in Iran

From: PTTEP Investor Relations [mailto:IR@pttep.com]
Sent: Sunday, July 18, 2010 8:55 PM
To: Minn.Sbi@state.mn.us
Subject: Clarification on operations in Iran

Dear Teresa J. Richardson,

Reference is made to your letter dated April 30, 2010, concerning PTT Exploration and Production Plc.'s operations in Iran. We would like to clarify our activities in Iran as follows:

PTTEP Iran Company Limited, a subsidiary of PTTEP, holds 100% share in an Iranian exploration field called Saveh Block since 2005. The exploration activities include geological and geophysical studies as well as 2D seismic surveys, which were carried out during the first two years. The drilling of the first exploration well commenced in 2008, which was prolonged until end of 2009 due to technical challenges.

Over the five years of our exploration program, PTTEP's investment was mainly for the aforementioned exploration well. Due to technical justifications and safety concerns, the well was written off in 2009. In 2010, the company has conducted a feasibility study and post-well evaluation, whereby further investments will hinge upon the evaluation result.

Please refer to <http://www.pttep.com/en/aboutPttep.aspx> for more information concerning PTTEP's policy on worldwide operations.

Should you have any additional queries, please do not hesitate to contact us.

Yours sincerely,

PTTEP Investor Relations



Date: 11th June, 2010

Ms. Teresa J. Richardson
Assistant Executive Director
Minnesota State Board of Investment
60 Empire Drive
Suite 355
St. Paul, Minnesota 55103
UNITED STATES OF AMERICA

Re: Minnesota State Board of Investment Iran Inquiry

Dear Ms. Richardson:

I am responding to your letter of April 30 addressed to Mr. B.K. Goenka, Chairman of Welspun Corp Limited, previously known as Welspun Gujarat Stahl Rohren Ltd. ("Welspun").

Under the applicable Minnesota's statute, section 11A.244, the Minnesota State Board of Investment reviews "scrutinized companies," which are defined as companies engaging in "scrutinized business activities." Scrutinized business activities are those activities subject to sanctions under the Iran Sanctions Act of 1996 (Public Law 104-172), as amended. The Iran Sanctions Act provides for the imposition of sanctions against entities that have made an investment of \$20 million or more that has contributed to the enhancement of Iran's ability to develop its petroleum resources.

Welspun has not made any investment in the Iranian petroleum or energy sector. In fact, Welspun does not have any investments in Iran. Therefore, Welspun does not engage in any "scrutinized business operations" in Iran that would subject it to divestment or investment restrictions by the Minnesota State Board of Investment. As such, we respectfully request that Welspun be removed from the Minnesota State Board of Investment's list of scrutinized companies.

Please advise if you have any further questions regarding this matter.

Very truly yours,

For Welspun Corp Ltd
(Formerly known as Welspun Gujarat Stahl Rohren Ltd)

A handwritten signature in black ink, appearing to read 'BR Raju', is written over a faint, illegible stamp.

BR Raju
(CFO & Director)

Corporate Office
Welspun House, 5th floor
Kamala City,
Senapati Bapat Marg,
Lower Parel (West),
Mumbai - 400013
Tel: +91 2266136100
Fax: +91 2224908020
www.welspuncorp.com

ATTACHMENT 3

**RESTRICTED IRAN COMPANIES
SECURITIES OF COMPANIES MAY NOT BE PURCHASED FOR PORTFOLIO**

ISSUER_NAME	COUNTRY
China Petroleum & Chemical Corporation	China
CNOOC Ltd	Hong Kong
Costain Group PLC	UK
Daelim Industrial Company Limited	South Korea
Edison SpA	Italy
Energetiki i Elektrifikatsii OAO AKA Mosenergo	Russia
Gazprom OAO	Russia
Gazprom NeftOAO	Russia
GS Engineering & Construction Corporation	South Korea
INA-Industrija nafte d.d	Croatia
Indian Oil Corporation Ltd.	India
KunLun Energy Company Limited	Hong Kong
L'Air Liquide SA	France
Lanka IOC PLC	Sri Lanka
Liquefied Natural Gas Ltd	Australia
Malaysia International Shipping Company AKA MISC Berhad	Malaysia
Malaysia Marine and Heavy Engineering Holdings Bhd	Malaysia
Mangalore Refinery and Petrochemicals Ltd	India
Oil and Natural Gas Corporation Limited	India
OMV Aktiengesellschaft	Austria
OMV Petrom S.A.	Romania
PetroChina Company Limited	China
Petrofac Limited	UK
Petronas Dagangan Bhd	Malaysia
Petronas Gas Berhad	Malaysia
PetroVietnam Consultancy and Engineering Corp	Vietnam
PetroVietnam Fertilizer and Chemicals Corp	Vietnam
PetroVietNam Southern Gas Joint Stock Co	Vietnam
Petrovietnam Transportation Corporation	Vietnam
PTT Exploration and Production Public Company Limited	Thailand
Sasol Limited	South Africa
SGS SA	Switzerland
Sinopec Kantons Holdings Ltd.	Hong Kong
Sinopec Shanghai Petrochemical Company Limited	China
Sinopec Yizheng Chemical Fibre Company Limited	China
Technip	France

Effective Date: January 10, 2011

STATE CAPITOL
PO Box 110001
Juneau, Alaska 99811-0001
907-465-3500
fax: 907-465-3532



550 West 7th Avenue #1700
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fax 907-269-7463
www.Gov.Alaska.Gov
Governor@Alaska.Gov

Governor Sean Parnell
STATE OF ALASKA

January 31, 2012

Mr. Michael Burns
Executive Director
Permanent Fund Corporation
801 West Tenth Street, Suite 302
Juneau, AK 99801

Dear Mr. Burns,

This will follow up on our meeting of November 21, 2011, regarding the divestiture of Permanent Fund investments from Iran. The International Atomic Energy Agency (IAEA) recently placed Iran under heavy scrutiny for "serious concerns regarding possible military dimensions to Iran's nuclear program." And, the IAEA believes Iran has "carried out activities relevant to the development of a nuclear explosive device." Additionally, Iran's ruling government has made it clear that it does not believe that citizens of Israel should be allowed to live or peaceably pursue their own interests.

I understand some believe free markets, rather than government policy, should drive our investment choices, but this very real threat requires action. No free market exists when one nation builds a nuclear arsenal while it continually and steadfastly advocates for the eradication of another entire nation, with our own not so far behind.

In my view, our State's policy should now be to divest ourselves of investments with companies doing business in Iran. This sanction comes as a last resort – an option our State has historically refused when presented. However, the time to stand on the principles of life and liberty is at hand, and we must step up along with our country and other states. For these reasons, I am asking that to the extent permitted by law, you pursue a policy of divestiture of State resources from companies that do business in Iran or with the current ruling government of Iran.

Sincerely,

A handwritten signature in cursive script that reads "Sean Parnell".

Sean Parnell
Governor

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Panetta: Iran Could Produce Bomb Next Year

U.S. Determined To Take Steps Necessary To Stop Iran

By Haaretz

Published January 30, 2012.

U.S. Defense Secretary Leon Panetta said on Sunday that Iran is only one year away from producing a nuclear weapon.

In an interview on the CBS show “60 Minutes,” Panetta said that “the consensus is that, if they decided to do it, it would probably take them about a year to be able to produce a bomb and then possibly another one to two years in order to put it on a deliverable vehicle of some sort in order to deliver that weapon.”

During the interview, Panetta reiterated Obama’s opposition to Iran’s nuclear program, and said that the U.S. shares common goals with Israel in its opposition to the program.

“The United States, and the president’s made this clear, does not want Iran to develop a nuclear weapon. That’s a red line for us. And it’s a red line obviously for the Israelis so we share a common goal here,” he told CBS.

“If they proceed and we get intelligence that they’re proceeding with developing a nuclear weapon then we will take whatever steps are necessary to stop it,” he added.

For more. go to haaretz.com

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