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Co-Chair, House Resources
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House State Affairs

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House District 10

House of Representatives

Sponsor Statement

House Concurrent Resolution No. 4 **Version 24-LS0629\A**

Throughout the past decade there have been a number of public awareness programs, which have educated communities about the dangers of alcohol and drugs. "Meth watch" is a voluntary program started in Kansas as a public/private partnership in 2001. Meth watch educates communities about the perils of methamphetamine. Today, eleven states have implemented a meth watch program. Although a relatively new campaign, since its implementation, states have reported reductions in the number of methamphetamine laboratories, and have seen a unification of grant programs that fund the education of communities; particularly parents, teachers, and others that work with youth.

The meth watch program engages retailers, law enforcement officials, schools, state and local agencies, and other key partners in reducing the diversion of precursor products for the manufacturing of methamphetamine, and increasing awareness about methamphetamine's dangers. The program is also instrumental in educating students and teachers in our schools and communities.

House Concurrent Resolution No. 4 urges the Department of Health and Social Services to take the lead in establishing a meth watch program in Alaska, by applying for available grants, and encouraging and assisting communities to apply for funding from both government and private sources.



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K A N S A S

RODERICK L. BREMBY,
SECRETARY

KATHLEEN SEBELIUS,
GOVERNOR

DEPARTMENT OF HEALTH AND
ENVIRONMENT

For Immediate Release

February 20, 2004

Contact: Sharon Watson
Office: 785-296-5795

Kansas Meth Watch Program is a Model for 12 Other States

If imitation is the highest form of flattery, then the state of Kansas has received its share of flattery from across the nation in the fight against drugs. The *Kansas Meth Watch Program* is being considered for implementation or has been copied by several cities, counties, and state-agencies in 12 states.

The purpose of the *Meth Watch* program is to limit the accessibility of meth key chemical ingredients (precursors), to reduce the amount of meth precursors stolen or sold, and to provide law enforcement agencies with valuable information when a suspicious transaction takes place. Additionally, the Kansas Department of Health and Environment (KDHE) provides a training video for Kansas retail stores to use in their efforts to limit access to products that are used to make illegal methamphetamine.

KDHE provides the video free of charge to retailers as part of the Meth Watch Program. The training video provides retail store managers and employees with information on ways to limit the availability of meth precursor products, as well as how to best work with law enforcement. The KDHE-funded video is available not only to retailers, but to all interested parties and can viewed on the *Meth Watch Program Web site*.

Partners of the *Kansas Retailer Meth Watch Program* include Albertson's, Casey's General Stores, Dillon's, Dollar General, Food4Less, Fleming Foods, Green Lantern Stores, IGA, the Kansas Retail Council, K-mart, Osco Drug Stores, the Petroleum Marketers and Convenience Store Association of Kansas, Phillips 66, Prevention and Recovery Services of Shawnee County, SafeStreets, Target, Walgreens, and Wal-Mart. KDHE, the Kansas Bureau of Investigation (KBI) and a team of Kansas retailers established the *Kansas Meth Watch Program* in 2000 to combat the manufacture and use of meth in the state. The *Meth Watch Program* encourages all distributors and retailers that sell pseudoephedrine-containing products and other meth precursors to participate in this program.

During the last several months, KDHE has assisted 12 states or portions of the state with implementing the *Meth Watch Program*. Those states include:

Alabama	Alaska	Arkansas
Iowa	Oklahoma	Oregon
North Carolina	North Dakota	Pennsylvania
Tennessee	Washington	Wyoming

All of the implementing organizations work toward the same goals as the *Kansas Meth Watch Program* and have agreed to use KDHE's trademarked program logo. Each state must agree to only change the name of the state so that the logo becomes recognized nationwide.

For more information, contact T.J. Ciaffone at (785) 368-7301, or visit our Web site at www.kdhe.state.ks.us/methlabs.

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K A N S A S

RODERICK L. BREMBY,
SECRETARY

KATHLEEN SEBELIUS,
GOVERNOR

DEPARTMENT OF HEALTH AND
ENVIRONMENT

For Immediate Release

September 17, 2004

Contact: TJ Ciaffone
785-368-7301

Sharon Watson
785-296-5795

Kansas Meth Watch Program Gains Attention as National Model

Office of National Drug Control Policy Supports KS Meth Watch Program; Trade Group Endorses KS Program

A drug prevention program that has contributed to a 27 percent reduction in methamphetamine (meth) lab seizures in Kansas over the past three years has been adopted as a national model to reduce or eliminate meth labs in more than 20 states.

The Kansas Retailers' Meth Watch Program was developed at the Kansas Department of Health and Environment (KDHE) as a coordinated effort between retailers and law enforcement in the fight against methamphetamine production and abuse.

Scott Burns, the Deputy Director for State and Local Affairs of the White House Office of National Drug Control Policy calls the Kansas Retailer's Meth Watch Program another useful tool in combating meth production in the United States. In addition, the Consumer Healthcare Products Association (CHPA) adopted the Meth Watch Program as a national model for other states and retailers.

Attendees of a July workshop represented 22 states interested in establishing and implementing their own statewide programs. Those states include the following:

Alabama	Arkansas	Arizona
California	Georgia	Iowa
Illinois	Indiana	Louisiana
Michigan	Minnesota	Montana
North Carolina	New York	Pennsylvania
Rhode Island	South Carolina	Tennessee
Texas	Utah	Virginia
Washington		

Additionally, Alaska, Missouri, North Dakota, Oklahoma, Oregon and Wyoming have asked KDHE for assistance in setting up their state's Meth Watch Program.

The purpose of the Meth Watch program is to limit the accessibility of meth-manufacturing ingredients, or precursors, to reduce the amount of meth precursors stolen or sold, and to provide law enforcement with valuable information when a suspicious transaction takes place. The program provides retail store managers and employees with information on ways to limit the availability of meth precursors, how to best work with law enforcement, as well as how to protect themselves from in-store inventory loss.

All of the states working to implement the Kansas Meth Watch Program have agreed to or will agree to use the logo that the Kansas Meth Watch members designed and KDHE trademarked almost three years ago. Each state must agree to only change the name of the state so that the logo remains recognized nationwide.

KDHE has agreed to allow CHPA to distribute the trademarked logo and program information on its behalf to interested parties and states.

Partners of the Kansas Retailer Meth Watch Program include Kansas Bureau of Investigation, the Kansas Methamphetamine Prevention Project, the Kansas Retail Council, Albertson's, Casey's General Stores, Dillon's, Dollar General, Food4Less, Fleming Foods, Green Lantern Stores, IGA, the K-mart, Osco Drug Stores, the Petroleum Marketers and Convenience Store Association of Kansas, Phillips 66, Target, Walgreens, and Wal-Mart.

For more information, contact TJ Ciaffone, (785) 368-7301, or visit our Web site at www.kdhe.state.ks.us/methlabs.



Meth Watch Program in United States



Source: ESRI Data & Maps CD
Published by
Kansas Department of Health and Environment
Bureau of Environment Remediation - Meth Watch
Information Systems - Geographic Data Services



Participation

- Meth Watch program training or interest

Disclaimer: The maps produced by this product are for informational purposes only and do not constitute a warranty or endorsement by the State of Kansas. The maps are provided as a service to the public and are not intended for use in any legal proceeding. The product is provided as is without any warranty of any kind. The product is provided as is without any warranty of any kind. The product is provided as is without any warranty of any kind.

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SUSPICIOUS TRANSACTION REPORT

Methamphetamine manufactures can produce large quantities of methamphetamine by using legal, over-the-counter products located in your stores. Please fill out the following information, if you suspect someone involved in the illegal production of methamphetamine, and contact the Kansas Bureau of Investigation at 1-800-KS-CRIME and provide to the KBI the information that you have noted.

Business Name, Store Number and Store Location: _____

Employee Name, Date and Time of Contact: _____

Security Photo/Photo Available Yes or No

SUSPECT INFORMATION: Height____Weight____Age____Race____Sex____Build____

Hair Color____Hair Length____Facial Hair____

Other Information_____

FINANCIAL INFORMATION: Cash Payment____Receipt____

Check Payment____Name____Address_____

Credit Payment____Name____Card Name/Number_____

VEHICLE INFORMATION: Make____Model____Color____Vehicle Plate#____State____

Other Information_____

CHEMICAL PURCHASED: Pseudoephedrine____Heet____Lithium Batteries____

Starting Fluid/Ether____Camping Fuel____Iodine____Matches____Acetone____Alcohol____

Acid____Fuel Additives____Drain Cleaners____Coffee Filters____

Other Information:_____

KBI Headquarters
1620 SW Tyler
Topeka, Kansas 66612
785-296-8200 Fax 785-296-6781

KBI Regional Office
PO Box 3423
Wichita, Kansas 67201
316-337-6100 Fax 316-337-6099

KBI Regional Office
7700 West 63rd Suite 212
Overland Park, Kansas 66202
913-671-2040 Fax 316-671-2042

KBI Regional Office
625 Washington
Great Bend, Kansas 67530
316-792-4353 Fax 316-792-1850

Community Awareness

Public awareness is a key strategy in the fight against meth production and use. Law enforcement agencies across the country recognize the direct link between education of citizens and the capture of meth manufacturers.

Successful prevention programs start early, are comprehensive, and repeatedly stress key points. Effective prevention begins with an assessment of the specific nature of the meth problem within your local community and then adapting the program accordingly.

General prevention principles are outlined in the National Institute on Drug Abuse's research based booklet entitled, *Preventing Drug Use among Children and Adolescents*.

All public awareness initiatives should always be tailored to the target audience. For example, specific presentations have been created for home visitors such as child protective workers, utility workers, and cable operators as well as presentations customized for the community's first responders.

Some public awareness efforts implemented in Kansas and other states include:

- Mock meth labs created and utilized for presentation
- Educational information distributed at schools
- Facts about meth shown at movie theaters
- Meth Watch signs posted at city limits
- Neighborhood watch meeting to educate the community about meth
- Production of public service announcements
- Display boards for community events

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Other Elements to Meth Awareness

[Community awareness](#)

[Drug endangered
children](#)

[Rural crime prevention](#)

[Preventive strategies
for schools to use](#)

Meth Watch Materials

More Information

Meth Watch "members" can download these Meth Watch materials by [clicking here](#).

To find out how to become a member of the Meth Watch team, contact CHPA's Elizabeth Assey.



Looking out for our communities



Brochure



Consumer Information Sheets



Shelf Tags



Door Decals

Register Decals



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Spokane County



Meth Watch Program

WHAT IS METH WATCH?

The Spokane County Meth Action Team and the Greater Spokane Substance Abuse Council (GSSAC) felt an urgent need to help curtail drug lab activity by making the theft or purchase of precursor ingredients more difficult. The Washington Meth Watch Program was modeled after a program designed by the Kansas Department of Health, Kansas Bureau of Investigation, and a team of Kansas retailers; they have generously shared their program with us.

If you have noticed the increase in theft or large quantity purchases of precursor products, your store is likely, and involuntarily, contributing to the deadly meth problem in Washington. Participation in Meth Watch aims to decrease theft and the likelihood of meth "cookers" viewing your store as a supplier in drug production. Since inception, it has grown from a core group of retailers using signage, educating employees, and reporting suspicious activity, to a broad membership of businesses linked together to prevent theft, fraud, and abuse in our community.

We encourage any business that sells precursors or experiences drug related theft, fraud, or abuse to become a member. Thank you to the businesses that have led this effort in Spokane County and been a model for Washington State.

Spokane County Initial Members: Safeway, Yoke's Foods, Albertsons, Rosauers, Securitas Security Services, Inc., Tidyman's, and Rite Aid.

LEAD AGENCIES:

- Spokane County Meth Action Team
- Spokane County Sheriff's Office
- Spokane Police Department

SUPPORTING AGENCIES:

- Spokane County SCOPE
- Spokane City COPS
- The Better Business Bureau of Eastern Washington, Northern Idaho, and Montana
- Comet Press

COORDINATED BY:

Greater Spokane Substance Abuse Council (GSSAC)
(509)922-8383
8104 E Sprague Ave
Spokane, WA 99212
Gssacpreventioncenter.com

INITIALLY FUNDED BY:

- Washington State Patrol
- Northwest High Intensity Drug Trafficking Area (HIDTA)
- WA State Meth Initiative

Meth prevention takes TEAMWORK!

WHAT ARE "PRECURSORS"?

Meth is made using readily available products obtained from retail, convenience, grocery, granges, automotive, and veterinary supply stores. Over-the-counter cold and allergy medications often contain ephedrine or pseudoephedrine, the most critical ingredient in the production of methamphetamine. The manufacturing process also uses ingredients such as lithium batteries, acetone, starter fluid, drain cleaner, rock or table salt, lye, matchbooks, rubbing alcohol, muriatic acid, and gasoline additives. As you can see, these items are available in many stores and most are probably found in your house or garage.

Anhydrous ammonia is another precursor commonly used in the meth process. It is usually stolen from tanks located on farms and ag dealer distribution facilities. Anhydrous ammonia is an extremely dangerous chemical, venting to a gas at -28° F. Thieves will commonly damage the valves or hose on the tanks, which can cause a life-threatening situation. If an unsuspecting employee or grower is unaware of the damage to the hose and opens the valve, escaping anhydrous could cause chemical and temperature burns and even result in fatal injury.

The availability of the products needed for producing meth contributes to the growing meth problem in our state. Because meth users become their own drug suppliers by becoming meth "cooks", the dangers associated with the labs themselves increase the urgency of a retailer assistance program.

WHAT ARE THE METH PRECURSORS & EQUIPMENT?

- Ephedrine or Pseudoephedrine (cold or allergy tablets)
- Matches
- Road Flares
- Starter Fluid/Ether
- Isopropyl or Rubbing Alcohol
- Rock or Table Salt
- Sodium Hydroxide/Lye
- Camping Fuel
- Sulfuric Acid (Drain cleaner)
- Acetone
- Gas Additives (HEET)
- Paint Thinner
- Iodine
- Toluene (Brake cleaner)
- MSM (Cutting agent)
- Muriatic Acid
- Anhydrous Ammonia
- Lithium Batteries
- Coffee Filters
- Aluminum Foil
- Assorted Glassware
- Propane Tanks
- Coolers
- Dry Ice



WHAT'S IN IT FOR MEMBERS?

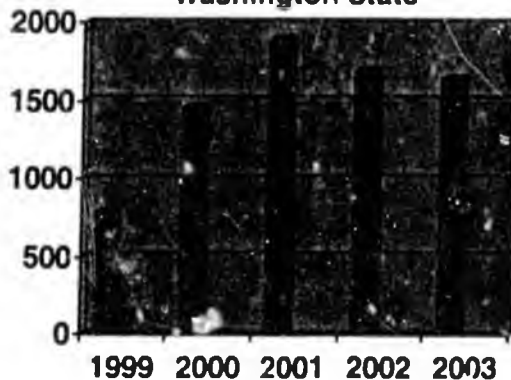
The most common question asked by a business considering signing up for the Washington Meth Watch Program is "How will my business benefit from participating in the Meth Watch Program?" The benefits to your store include a combination of social, economic, and safety factors such as:

SOCIAL: Most citizens of Washington are very concerned about the availability of drugs in their neighborhoods. Helping law enforcement fight the war on drugs provides community awareness for the business owner and their patrons. Membership also allows participants to connect with other retailers, businesses, financial institutions, and law enforcement through meetings, a monthly newsletter, and Email Tree.

ECONOMIC: One of the goals of Meth Watch is to limit the sale or theft of precursors for improper use. Precursors can be easily identified by shelf stickers under the products, which will deter cooks from approaching the products due to increased awareness of the illegal use of these products. The precursors not limited due to sale restrictions or product management will still be identified, making employees and customers another pair of eyes for your store. The increased awareness by business employees, patrons, and the meth "cooks" will hopefully reduce theft and large quantity purchases, as well as fraud and abuse.

SAFETY: Meth Watch Program participants believe that customers will feel safer in your store if you take a proactive approach to preventing improper purchases or theft of precursor items. Often meth "cooks" are on a drug-induced high and possibly feeling paranoid, or worse yet, are overly aggressive, making employee and customer safety an issue. Meth Watch hopes to capitalize on the paranoia and make the "cook" want to go elsewhere for the purchase or theft. Strong interaction with local law enforcement, by reporting suspicious activity, also helps provide that sense of safety. Meth Watch strongly supports and encourages the exchange of information with law enforcement officials.

Clandestine Drug Lab Cleanup
DOE - Spill Response
Washington State



Increased employee awareness of our state's meth problem will provide your establishment the resources to be a responsible steward and assist in the fight against crime and drugs. Your business will benefit from a more aggressive stance on clandestine drug labs in the state, in addition to the goodwill your involvement will produce in the community.

WHAT DOES THE METH WATCH PROGRAM INVOLVE?

What's next? You have decided that the Meth Watch Program could have a positive influence on your business and community - CONGRATULATIONS AND WELCOME TO THE TEAM! The Meth Watch Program has many options to choose from, with selection of options depending on the type of business, layout, manpower, etc. The main areas of the program include: employee training, signage, and suspicious activity reporting.

TRAINING POSTER: A training poster placed in employee break rooms will provide repeated exposure to the types of products that are commonly purchased or stolen by a meth "cook."

COMMUNITY AWARENESS PRESENTATION: Upon request, one hour presentations are available, which provide general information regarding meth use, production, prevention, treatment, child endangerment, etc.

SIGNAGE: The Meth Watch Program focuses on creating an awareness of why certain products, or a variety of products, are stolen or purchased in abnormally high quantities. **Window stickers** greet patrons at the door, identifying your participation in Meth Watch and raising their awareness. Placement of **shelf stickers** help store employees and the general public become more familiar with these products. Paranoid meth "cooks" will not want people watching them linger around these target products. **Cash register stickers** are placed at the checkout counter as a final reminder that this store is aware of the meth problem. The stickers also remind the checkout clerk to be on the lookout for suspicious purchases. The Washington Team members believe that the signage serves the dual purpose of putting criminals on notice and letting good customers know your store is taking steps to reduce the use and production of meth in your community through strong community partnerships and proactive involvement.

PRODUCT MANAGEMENT: Product management addresses the strategic placement of precursor products in areas that will help deter theft or suspicious purchases of large quantities. Customers will often question why the products are not readily available. In most cases, a brief explanation of Meth Watch by handing them an **Informational "tear-off" sheet** will satisfy their questions and typically will result in their strong support for the program. Some strategic management practices include the following:

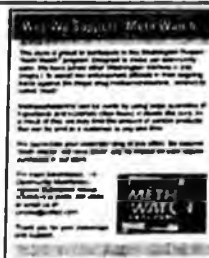
- **Limit the quantity of precursor products available on the shelf.** This should reduce the amount of theft or excessive purchases. Many stores already implement this policy. It may cause a higher frequency of restocking, but typically reduces the large rate of theft.
- **Limit the quantity of precursor products that may be purchased.** Limiting the purchase quantity means that a customer will only be able to purchase a certain amount of the product at the checkout counter.
- **Placement of precursor products near high traffic areas.** Placing products at the end of an aisle near the checkout counters, customer service, or a pharmacy helps deter theft. Thieves do not like to be observed stealing products, so they will be more likely to stay away from the high profile areas.
- **Provide surveillance on precursor product aisles.** Providing video surveillance of the products and informing the customer that the aisle is under surveillance is also a deterrent to theft.
- **Placement of product behind a service counter.** When precursor products are behind the counter in a pharmacy, customer service area, or cash register, the customer must ask for the product. Typically, a shelf tag is left on the main shelf area and includes product name, price, and barcode, and directs the customer to the service counter for purchase.

REPORTING SUSPICIOUS TRANSACTIONS: Meth "cooks" can be dangerous when they come to a facility for more ingredients or with the intent to commit a crime. Paranoia and aggressiveness caused by a drug-induced high can cause the "cook" to become angry if confronted about a theft or improper purchase. Meth Watch recommends that employees **do not** confront the suspect, but instead follow through with the transaction rather than putting themselves in danger. When the suspect leaves the store, the clerk or manager should complete a Suspicious Transaction Report and provide the information to local law enforcement as soon as possible. If surveillance footage is available, please note the date and time on the report. The statewide reporting number is **1-888-609-6384**. The Meth Watch program strongly encourages working closely with local law enforcement agencies to create a working relationship that can benefit your store and community.



Meth Watch Program Decals Available As:

- 4"x7" Window Stickers
- 2"x3" Stickers
- 8.5"x11" Outdoor Stickers



Meth Watch Customer Information Pads:

4"x5" tear-off sheets can be kept at each check out location to improve awareness and recognition that your business supports the fight against meth in their community.

**METHAMPHETAMINE/
CHPA METH WATCH PROGRAM****Background on methamphetamine:**

Communities across America plagued by the proliferation of methamphetamine are looking for effective and innovative ways to combat this emergent trend. The most significant problem for state and local law enforcement, especially in rural communities, is the manufacturing of methamphetamine in what have become known as small, home-made labs. These labs often use pseudoephedrine, a safe and effective ingredient found in many over-the-counter cough/cold products, in the illegal manufacture of methamphetamine. These labs have a devastating effect on the environment, communities, and the children who are often times present, and for these reasons are referred to as small toxic labs by law enforcement officials.

What is Meth Watch?

"Meth Watch" is a program designed to help curtail suspicious sales and theft of pseudoephedrine and other precursor products used in the illicit manufacturing of methamphetamine. Meth Watch was started in Kansas as a public-private partnership between the Kansas Department of Health and Environment, the Kansas Bureau of Investigation, the Kansas Methamphetamine Prevention Project (part of the non-profit statewide drug prevention system), and Kansas retailers. As news spread of its success, several states have begun to adopt the Kansas model, including Washington, Oregon, and South Dakota. Many more have expressed interest, but have been deterred by lack of resources and know-how.

How does Meth Watch work?

Meth Watch is a voluntary program that involves a variety of people at the community and state level, although retail involvement is the cornerstone of this program. Participating retailers place the precursor products where they can be easily monitored, and strategically post Meth Watch signs and tags on their doors and windows, around their cash registers and on the shelves where precursor products are located. They may impose purchase limits to prevent high volume sales. They train their employees to recognize, but not to confront, suspicious customers and to contact law enforcement with as much identifying information as possible.

Participants in the Meth Watch program report safer stores, better customer relations, increased employee awareness, and improved communications with law enforcement. In areas that have been hard hit by the meth scourge, Meth Watch partners are helping to unify their communities against drug abuse. The Meth Watch program in Kansas is a proven and replicable program which has significantly affected meth lab seizures.

How can individual states become involved?

The Consumer Healthcare Products Association (CHPA) has developed a uniform Meth Watch model that serves as an online resource center for interested states (www.methwatch.com). This site provides a one-stop shop to help states implement Meth Watch in their communities. CHPA will provide direct resources to states for the implementation of Meth Watch, including training, technical assistance, and retail support and education.

What does the future hold for Meth Watch?

Law enforcement officials and anti-drug abuse coalitions across the country are seeing a dramatic increase in meth abuse. As other states begin to benefit from the Meth Watch program, CHPA anticipates a greater need for funding a comprehensive methamphetamine prevention program and will join with those states most affected by this problem to call on Congress to authorize a permanent grant program for states that can demonstrate a need.



United States Department of Health and Human Services
 Substance Abuse & Mental Health Services Administration

SAMHSA FY 2005 Grant Opportunity

Downloadable files

Application Information:
 Center for Substance Abuse Prevention (CSAP)

Request for Applications (RFA)

Scroll down for downloadable RFA document:

Drug Free Communities Support Program
 (Initial Announcement)
 Request for Applications (RFA) SP-05-002-New and SP-05-002-Renewal

Grants.gov Notice: January 11, 2005

Receipt dates:

- **March 11, 2005** (for new applicants)
 - **April 5, 2005** (for competing renewal applicants)
- Catalogue of Federal Domestic Assistance (CFDA) No.: 93.276

Key Dates:

Application Deadline	March 11, 2005 (new) April 5, 2005 (for competing renewal applicants)
Intergovernmental Review (E.O. 12372)	Letters from State Single Point of Contact (SPOC) are due no later than 60 days after application deadline.
Public Health System Impact Statement (PHSIS)/Single State Agency Coordination	Applicants must send the PHSIS to appropriate State and local health agencies by application deadline. Comments from Single State Agency are due no later than 60 days after application deadline.

The Executive Office of the President, Office of National Drug Control Policy (ONDCP), and Substance Abuse and Mental Health Services Administration (SAMHSA) announce the availability of funds for **Drug Free Communities Support Program (DFCSP)** grants. DFCSP is a collaborative initiative sponsored by ONDCP and SAMHSA in order to:

- reduce substance abuse among youth;
- help community coalitions strengthen collaboration;
- enhance intergovernmental collaboration, cooperation and coordination;

- enable communities to conduct data-driven, research-based prevention planning, and
- provide communities with technical assistance, guidance, and financial support.

ONDCP and SAMHSA invite eligible applicants to review this announcement for DFCSP grant. Eligibility information is provided in Section III and award information is provided in Section IV.

Eligible Applicants

DFCSP grant funds are intended to support community-based coalitions. According to the Community Anti-Drug Coalitions of America (CADCA), "A coalition is a formal arrangement of cooperation and collaboration between groups or sectors of a community, in which each group retains its identity but all agree to work together toward a common goal of building a safe, healthy, and drug-free community."

To be eligible for a DFCSP grant, a coalition must meet the requirements detailed in Part I of the full-length Request for Applications.

Statewide substance abuse prevention coalitions may apply for a DFCSP grant, provided they meet all the criteria specified above.

No coalition or fiscal agent may submit more than one application under this funding announcement. Coalitions may not serve the same geographic area, unless both coalitions have clearly described their plans for collaboration in their applications; each coalition has independently met the above requirements.

Additional Information

Approximately \$70 million will be available for approximately 700 DFCSP awards, including DFCSP awards as well as competing renewal awards.

The maximum allowable award for new DFCSP grants is \$100,000 per year in total costs (direct and indirect). The maximum allowable award for competing renewal DFCSP awards is \$100,000 per year in total costs (direct and indirect).

Cost-sharing is required. Please see RFA announcement for further information.

For questions on *program issues*, contact:

Mike Lowther
Director, Division of State and Community Assistance, CSAP
1 Choke Cherry Road, 4th Floor
Rockville, Maryland 20857
240-276-2570
Michael.Lowther@samhsa.hhs.gov

For questions on *grants management issues*, contact:

Kimberly Pendleton
Office of Program Services, Division of Grants Management, SAMHSA
1 Choke Cherry Road, Room 7-1097
Rockville, Maryland 20857
240-276-1421
kimberly.pendleton@samhsa.hhs.gov

Documents needed to complete an application for this grant opportunity**The complete Request for Applications (RFA) No. SP-05-002-New and SP-05-002-Renewal:****Download RFA:**

- Download as Word Document

- Download as Acrobat Document

Download forms:**PHS 5161-1 (revised July 2000):** Includes the face page, budget forms, assurances, certification, and checklist.

Applications that are not submitted on the required application form will be screened out and will not be reviewed.

Additional Materials:

For further information on the forms and the application process, see **Useful Information for Applicants**

Additional materials available on this website include:

- Technical Assistance and Training for SAMHSA Grant Applicants
- Grants Management at SAMHSA: Useful Information for Grantees
- For DFC Grant Applicants: Sample Memorandum of Understanding

For a complete application kit, call the National Clearinghouse for Alcohol and Drug Information (NCADI):

- 800-729-6686

- 800-487-4889 TDD

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

House State Affairs
119 N. Cushman St. Suite 207
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Alaska State Legislature



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State Capitol, Room 104
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House District 10

House of Representatives

Sponsor Statement

House Concurrent Resolution No. 4 Version 24-LS0629A

Throughout the past decade there have been a number of public awareness programs, which have educated communities about the dangers of alcohol and drugs. "Meth watch" is a voluntary program started in Kansas as a public/private partnership in 2001. Meth watch educates communities about the perils of methamphetamine. Today, eleven states have implemented a meth watch program. Although a relatively new campaign, since its implementation, states have reported reductions in the number of methamphetamine laboratories, and have seen a unification of grant programs that fund the education of communities; particularly parents, teachers, and others that work with youth.

The meth watch program engages retailers, law enforcement officials, schools, state and local agencies, and other key partners in reducing the diversion of precursor products for the manufacturing of methamphetamine, and increasing awareness about methamphetamine's dangers. The program is also instrumental in educating students and teachers in our schools and communities.

House Concurrent Resolution No. 4 urges the Department of Health and Social Services to take the lead in establishing a meth watch program in Alaska, by applying for available grants, and encouraging and assisting communities to apply for funding from both government and private sources.



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- [Meth Watch Materials](#)
- [Meth Watch in Your State](#)
- [Other Elements to Meth Awareness](#)

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Communities all across America are suffering from the plague of methamphetamine production and usage. And these communities – many of which are rural and suburban – are looking for effective and innovative ways to fight back against this illegal menace. Meth Watch is the first national effort aimed at curbing the spread of methamphetamines, and will provide a critical step in reducing the availability of meth in communities nationwide.

Started in Kansas as a public-private partnership between law enforcement, state officials, and the retail community, Meth Watch is designed to help curtail the suspicious sale and theft of common household products used in the illicit manufacturing of methamphetamine.

Meth Watch is a voluntary program that involves a variety of people at the community and state level, although retail involvement is the cornerstone of this program. This web site provides states interested in learning more about the Meth Watch program with the resources needed to implement and maintain a Meth Watch program.

"Whenever we can partner with our citizens and businesses to improve public safety, we are much more successful. Only with an all-out, comprehensive effort can we hope to stop the insidious creep of methamphetamine into our communities."

*– "A New Ally in the War on Meth,"
written by Sheriff Mark Sterk,
Spokane County, Washington, Sheriff,
November- December 2004*

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BACKGROUND

The Meth Watch Program

What is Meth Watch?

Communities across America plagued by methamphetamine usage and production are looking for effective and innovative ways to combat this growing problem.

Meth Watch is a program sponsored by the Consumer Healthcare Products Association (CHPA) and is designed to help curtail the theft and suspicious sales of pseudoephedrine products, as well as other common household products used in the illicit manufacturing of methamphetamine in small, toxic labs. A key goal of this program is to promote cooperation between retailers and law enforcement to prevent the diversion of legitimate products for illegal use.

Meth Watch was started in Kansas as a public-private partnership between the Kansas Department of Health and Environment, the Kansas Bureau of Investigation, the Kansas Methamphetamine Prevention Project (part of the non-profit statewide drug prevention system), and Kansas retailers. As news spread of its success, several states began to adopt the Kansas model. Many more expressed interest, but were deterred by the lack of resources and know-how.

That's where the national Meth Watch program comes in. CHPA provides a one-stop shop to help interested states implement Meth Watch in their communities through the Meth Watch resource center at www.methwatch.com. Through Meth Watch, retailers and law enforcement will help increase awareness about the diversion of legal products to the illegal manufacture of methamphetamine and will assist local communities in addressing the meth problem.

The Kansas Story

The Kansas Meth Prevention Project (KMPP) began as a public-private partnership formed in October 2001 to develop a statewide infrastructure to fight the methamphetamine problem in Kansas communities. The program received funding through the Substance Abuse and Mental Health Services Administration (SAMHSA) in 2002. CHPA and its member companies are providing funding for its efforts in 2004. The goals of the project include reducing the supply of methamphetamine by monitoring the availability of products used in the manufacture of methamphetamine and reducing the demand for methamphetamine by providing opportunities for youth education and community awareness about the dangers of the drug.

A statewide network of agencies partnered to make the KMPP successful. The agencies are: Kansas Department of Health and Environment (KDHE), Kansas Bureau of Investigation, Prevention and Recovery Services in Topeka, Kansas Social and Rehabilitation Services, Kansas Regional Prevention Centers, Kansas State University Research and Extension, and the Kansas National Guard, to name a few.

The KMPP conducts "train the trainer" sessions throughout the state to increase awareness of Meth Watch and other prevention strategies. Kansas learned early on that local participation is the key to the successful implementation of Meth Watch and achieved widespread community involvement through an ongoing mini-grant process. The KDHE distributes Meth Watch materials to retailers and other interested parties statewide on a regular basis and nationwide as requested. For further information, contact T.J. Cialfione, KDHE Bureau of Environmental Remediation Response Unit chief, or Cristi Cain, KMPP project coordinator.

Other Meth Watch Programs

CHPA has made funds available to help support state and local Meth Watch programs. In addition to the Kansas program, a number of additional states have taken the Kansas model and implemented their own Meth Watch programs, including the following.

Georgia
Iowa
Michigan

[Minnesota](#)
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[North Dakota](#)
[Oregon](#)
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United States Department of Health and Human Services
 Substance Abuse & Mental Health Services Administration

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SAMHSA FY 2005 Grant Opportunity

Grant

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Application Information:
 Center for Substance Abuse Prevention (CSAP)

Request for Applications (RFA)

Scroll down for
downloadable
RFA document:

Drug Free Communities Support Program
 (Initial Announcement)
 Request for Applications (RFA) SP-05-002-New and SP-05-002-Renewal

Grants.gov Notice: January 11, 2005

Receipt dates:

- March 11, 2005 (for new applicants)
 - April 5, 2005 (for competing renewal applicants)
- Catalogue of Federal Domestic Assistance (CFDA) No.: 93.276

Key Dates:

Application Deadline	March 11, 2005 (new) April 5, 2005 (for competing renewal applicants)
Intergovernmental Review (E.O. 12372)	Letters from State Single Point of Contact (SPOC) are due no later than 60 days after application deadline.
Public Health System Impact Statement (PHSIS)/Single State Agency Coordination	Applicants must send the PHSIS to appropriate State and local health agencies by application deadline. Comments from Single State Agencies are due no later than 60 days after application deadline.

The Executive Office of the President, Office of National Drug Control Policy (ONDCP), and Substance Abuse and Mental Health Services Administration (SAMHSA) announce the availability of funds for **Drug Free Communities Support Program (DFCSP)** grants. DFCSP is a collaborative initiative sponsored by ONDCP and SAMHSA in order to:

- reduce substance abuse among youth;
- help community coalitions strengthen collaboration;
- enhance intergovernmental collaboration, cooperation and coordination;

- enable communities to conduct data-driven, research-based prevention planning, and
- provide communities with technical assistance, guidance, and financial support.

ONDCP and SAMHSA invite eligible applicants to review this announcement for DFCSG grant. Eligibility information is provided in Section III and award information is provided in Section IV.

Eligible Applicants

DFCSG grant funds are intended to support community-based coalitions. According to the Community Anti-Drug Coalitions of America (CADCA), "A coalition is a formal arrangement of cooperation and collaboration between groups or sectors of a community, in which each group retains its identity but all agree to work together toward a common goal of building a safe, healthy, and drug-free community."

To be eligible for a DFCSG grant, a coalition must meet the requirements detailed in Part I of the full-length Request for Applications.

Statewide substance abuse prevention coalitions may apply for a DFCSG grant, provided they meet all the criteria specified above.

No coalition or fiscal agent may submit more than one application under this funding announcement. Coalitions may not serve the same geographic area, unless both coalitions have clearly described their plans for collaboration in their applications; each coalition has independently met the above requirements.

Additional Information

Approximately \$70 million will be available for approximately 700 DFCSG awards, including DFCSG awards as well as competing renewal awards.

The maximum allowable award for new DFCSG grants is \$100,000 per year in total costs (direct and indirect). The maximum allowable award for competing renewal DFCSG awards is \$100,000 per year in total costs (direct and indirect).

Cost-sharing is required. Please see RFA announcement for further information.

For questions on *program issues*, contact:

Mike Lowther
Director, Division of State and Community Assistance, CSAP
1 Choke Cherry Road, 4th Floor
Rockville, Maryland 20857
240-276-2570
Michael.Lowther@samhsa.hhs.gov

For questions on *grants management issues*, contact:

Kimberly Pendleton
Office of Program Services, Division of Grants Management, SAMHSA
1 Choke Cherry Road, Room 7-1097
Rockville, Maryland 20857
240-276-1421
kimberly.pendleton@samhsa.hhs.gov

Documents needed to complete an application for this grant opportunity**The complete Request for Applications (RFA) No. SP-05-002-New and SP-05-002-Renewal:****Download RFA:**

- Download as Word Document

- Download as Acrobat Document

Download forms:

PHS 5161-1 (revised July 2000): Includes the face page, budget forms, assurances, certification, and checklist.

Applications that are not submitted on the required application form will be screened out and will not be reviewed.

Additional Materials:

For further information on the forms and the application process, see **Useful Information for Applicants**

Additional materials available on this website include:

- Technical Assistance and Training for SAMHSA Grant Applicants
- Grants Management at SAMHSA: Useful Information for Grantees
- For DFC Grant Applicants: Sample Memorandum of Understanding

For a complete application kit, call the National Clearinghouse for Alcohol and Drug Information (NCADI):



- 800-729-6686
- 800-487-4889 TDD

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 Substance Abuse & Mental Health Services Administration

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SAMHSA Grant Awards - State Summaries FY 2004/2005

Formula and Discretionary Grant Allotments, Summaries by State ALASKA

This is a summary, click here for Discretionary Funds in Detail.


Formula Funding	Fiscal Year 2004/05
Substance Abuse Prevention and Treatment Block Grant:	\$ 4,676,744
Community Mental Health Services Block Grant:	\$ 776,797
Projects for Assistance in Transition from Homelessness (PATH):	\$ 300,000
Protection and Advocacy Formula Grant:	\$ 406,700
Subtotal of Formula Funding:	\$ 6,160,241
Discretionary Funding	Fiscal Year 2004/05
Mental Health:	\$ 4,419,479
Substance Prevention:	\$ 6,538,022
Substance Abuse Treatment:	\$ 8,784,464
Subtotal of Discretionary Funding:	\$ 19,741,965
Total Mental Health Funds:	\$ 5,902,976
Total Substance Abuse Funds:	\$ 19,999,230
Total Funds for:	\$ 25,902,206
ALASKA	



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HCR

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

House State Affairs
119 N. Cushman St. Suite 207
Fairbanks, Alaska 99701
Phone: (907) 452-1088
Fax: (907) 452-1146

Alaska State Legislature



While in Session
State Capitol, Room 104
Juneau, Alaska 99801-1182
(907) 465-3004
Fax: 465-2070
Toll Free: (877) 465-3004

House District 10

House of Representatives

Sponsor Statement

HCR 27

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

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

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

Spotting links to Terrorism, Inc.

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

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

Does your portfolio "support" terrorism?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[Full HTML version of this story which may include photos, graphics, and related links](#)

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Print

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

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

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

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

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

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

Abraham's Talks

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

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

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

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

VW Project

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

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

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

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

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

Sanctions

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

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

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

Low Profile

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

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

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

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

'Clear Guidance'

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

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

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

Japanese Retreat

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

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

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

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

Energy

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

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

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

Jobs

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

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

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

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

'Long-Term Strategy'

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

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

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

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

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

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

Risks

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

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

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

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

Last Updated: August 21, 2003 19:01 EDT

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The Claremont Institute

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

"60 Minutes" Transcript Doing Business With the Enemy

Posted January 25, 2004

Lesley Stahl

Sunday, January 25, 2004

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Does he think this issue's going away?

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

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

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

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

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The **Terrorism** Investments

of the



States

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

Frank Gaffnie

EXECUTIVE SUMMARY

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

Together, these funds invest over \$1 trillion *in stock alone*² on behalf of this country's fire fighters, police officers, teachers, state and local officials and other public employees, making *this collection of funds one of the most powerful investment blocks in the world*. Given this extraordinary financial influence and the important role played by public companies in the economies of terrorist-sponsoring states³, the Center for Security Policy has reached a key finding: **America's 100 largest and most prominent pension systems have the power to help defeat terrorism.**

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

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

Among the report's other important findings:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INTRODUCTION

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

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

The Economies of Terrorist-Sponsoring States

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

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

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

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

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

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

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

Trading with the Enemy

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

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

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

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

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

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

American Investors Underwriting Terrorism

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

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

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

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

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

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

'Global Security Risk'

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

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

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

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

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

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

METHODOLOGY

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

Acquiring the Data

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

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

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

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

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

Running the Pension Fund Portfolios

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

State Fund Analyses

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

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

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

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

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

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

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

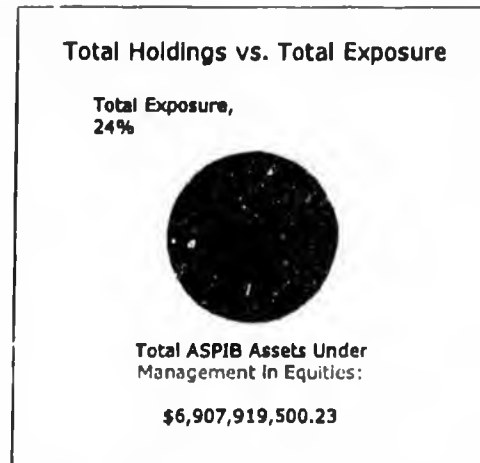
Finally, the "Sample Holdings" section provides examples of those companies held by the fund (including the amount invested in each) that are illustrative of the Center's concerns about corporate ties to terrorist-sponsoring states and the need for Americans to commit to taking action on this new front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

ALASKA

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

Exposure Levels

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



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

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

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

Companies Held by ASPIB with Ties to:

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

Sample Holdings

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

Alcatel SA

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

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

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

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

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

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

2. Washington Post, 9/5/01.

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

ENI SPA

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

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

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

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

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

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

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

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

Statoil ASA

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

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

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

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

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

1. Company Website, 2004

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

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

Total SA

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

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

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

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

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

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

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

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

UBS AG

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

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

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

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

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

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

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

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

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

The Alaska Permanent Fund

Stock holdings

As of September 30, 2005 - updated quarterly

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

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US stocks

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

Non-US stocks

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

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

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

The Alaska Permanent Fund

There are 65 investments for FRANCE. Back to stocks

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

RENAULT(REGIE NTL EUR 3.81	38,586	\$ 1,958,392	\$ 1,068,800	\$ 1,448,409
SAGEM SA EUR 1.0	35,580	\$ 572,819	\$ 737,966	\$ 165,147
SANOFI-AVENTIS EUR 2.0	879,184	\$ 48,611,258	\$ 72,299,731	\$ 23,688,473
SCHNEIDER ELECTRIC SA EUR 8	243,990	\$ 15,832,087	\$ 18,435,325	\$ 2,603,238
SCOR SA EUR 3.81	145,532	\$ 292,754	\$ 292,730	\$ (24)
SOC GENERALE EUR 1.25	93,453	\$ 4,747,387	\$ 9,526,154	\$ 4,778,767
SOCIETE DES AUTOROUTES EUR 15.22493	4,708	\$ 241,913	\$ 252,758	\$ 10,846
SOCIETE DES AUTOROUTES PARI EUR 0.3	7,087	\$ 392,335	\$ 420,818	\$ 28,483
SODEXHO ALLIANCE EUR 4.0	19,878	\$ 643,795	\$ 617,014	\$ (26,781)
STE DES AUTOROUTES DU SUD FRF 100.0	12,030	\$ 318,801	\$ 689,194	\$ 370,393
SUEZ EUR 2.0	169,811	\$ 3,680,409	\$ 4,643,448	\$ 963,040
TECHNIP SA	18,046	\$ 533,470	\$ 838,790	\$ 305,321
TF1 - TV FRANCAISE EUR .20	24,496	\$ 711,452	\$ 652,119	\$ (59,334)
THALES SA EUR 3.0	15,954	\$ 529,050	\$ 649,051	\$ 120,002
THOMSON SA EUR 3.75 RFD	54,062	\$ 1,328,679	\$ 1,296,268	\$ (32,411)
* TOTAL SA EUR 10.0	497,343	\$ 70,891,471	\$ 117,041,214	\$ 46,149,744
TOTAL STRIP VVPR EUR 10.0	15,111	\$ 0	\$ 183	\$ 183
UNIBAIL EUR 5.0 RFD	76,428	\$ 2,749,191	\$ 9,837,151	\$ 7,087,960
UNION IMMOB FRANCE FF153.00	5	\$ 411	\$ 0	\$ (411)
VALEO SA EUR 3.0 RFD	13,787	\$ 737,999	\$ 619,485	\$ (118,515)
VEOLIA ENVIRONNEMENT 0.0 02NOV2005	64,212	\$ 1,575,517	\$ 2,416,222	\$ 840,706
VINCI EUR10	0	\$ 14,819	\$ 14,819	\$ 0
VINCI SA EUR 5.0	105,461	\$ 6,073,169	\$ 8,785,225	\$ 2,712,057
VIVENDI UNIVERSAL EUR5.50	981,878	\$ 31,696,339	\$ 30,990,183	\$ (706,156)
WENDEL INVEST CO EUR 4.0	67,300	\$ 5,215,359	\$ 5,584,181	\$ 368,823
ZODIAC SA EUR 0.2	75,151	\$ 3,849,302	\$ 4,039,272	\$ 189,971
		\$ 452,529,222	\$ 603,340,406	\$ 150,811,184

The Alaska Permanent Fund

There are 41 investments for ITALY. Back to stocks

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

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

The Alaska Permanent Fund

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

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

The Alaska Permanent Fund

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

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

The Claremont Institute

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"60 Minutes" Transcript Doing Business With the Enemy

Posted January 25, 2004

Lesley Stahl
Sunday, January 25, 2004

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Does he think this issue's going away?

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

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

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

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

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Alaska Permanent Fund Corporation

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

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

	Estimated cost
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Equities portfolio restructuring

Convert commingled fund to separate account

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

\$10 - \$20 million

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

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

\$1.1 - \$2.3 million

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

\$1.6 - \$3.1 million

Divestment costs for other separate accounts

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

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

\$0.8 - 1.6 million

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

\$0.5 - \$1.1 million

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

\$2.9 - \$5.8 million



Alaska Permanent Fund Corporation

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

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

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

\$1.5 - \$3.0 million

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

S&P 500

\$200,000

S&P 400

\$40,000

EAFE

\$100,000

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

\$335,000

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

Unknown

Manager search costs

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

Unknown

Legal costs

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

\$40,800



Alaska Permanent Fund Corporation

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

Breakdown of annual costs of implementing a divestiture plan

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



Alaska Permanent Fund Corporation

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

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

Impact on Returns and Risk

Approaches by stock manager:

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

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

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

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

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

Unknown potential loss in Fund value

Approaches by Fixed Income managers:

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

Unknown potential loss in Fund value

Approaches by Private Equity and Absolute Return Managers:

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

Unknown potential loss in Fund value

General Consultant Costs

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

Unknown

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

To be determined

Higher compliance costs - need to monitor manager holdings

May need to add staff with expertise

May need to develop or buy special software

Staff may need to undergo special training

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

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Alaska State Legislature



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House District 10

House of Representatives

MEMO

To: House State Affairs Committee Members

Fm: Emily Stancliff

Cc:

Date: February 28, 2006, 3:06 PM

Re: HCR 27 Supporting Information

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

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

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

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

Thank you

Representative_Jay_Ramras@legis.state.ak.us

24-LS1524Y
Kane
2/28/06

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

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES RAMRAS, Holm

A RESOLUTION

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

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

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

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

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

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

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

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

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



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

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

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

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

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

Mr. Andrew K. Davenport 
Vice President

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

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