



## Report of Activities Pursuant to Act 44 of 2010

Annual Report  
September 30, 2011



September 30, 2011

Last year, the Pennsylvania General Assembly enacted Act 44 of 2010, which requires the divestment of public funds from companies having scrutinized business activities in Iran and/or Sudan that meet certain thresholds of activity. Additionally, the Act prohibits Pennsylvania's public funds from purchasing securities from companies that appear on the scrutinized business activities lists regardless of the funds' direct holdings in such companies.

Act 44 requires that the public funds assemble and provide a report to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and each member of the boards of the Pennsylvania Municipal Retirement System, the State Employees' Retirement System, and the Public School Employees' Retirement System. Accordingly, we have prepared this report on the activities our funds have undertaken to comply with requirements of the Act.

This report includes:

- The most recent scrutinized companies lists (Sudan and Iran)
- A summary of correspondence with scrutinized companies
- All investments sold, redeemed, divested or withdrawn in compliance with Act 44, the costs and expenses of such transfers, and a determination of net gain or loss on account of such transactions incurred in compliance with the act
- A list of publicly traded securities held by the public funds.

A copy of the Act can be downloaded from the Internet by going to <http://www.legis.state.pa.us/cfdocs/legis/home/session.cfm> (Go to section entitled "by Bill," select the 2009-2010 Regular Session and enter SB 928).

Sincerely,



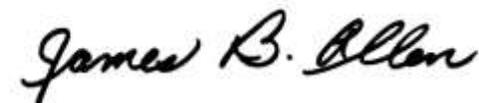
Robert M. McCord  
Pennsylvania Treasurer



Leonard Knepp  
Executive Director  
State Employees' Retirement System of Pennsylvania



Jeffrey Clay  
Executive Director  
Public School Employees' Retirement System of Pennsylvania



James Allen  
Secretary  
Pennsylvania Municipal Retirement System

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## **Introduction**

On July 2, 2010, Governor Ed Rendell signed Act 44 of 2010 (hereafter “the Act” or “Act 44”). Act 44 requires that Pennsylvania’s public funds compile and publish lists of “scrutinized companies.” These lists comprise companies identified as having prohibited business operations in Iran or Sudan (as defined by Act 44). Furthermore, the Act prohibits Pennsylvania public funds from acquiring the securities of scrutinized companies in the future and requires them to divest the securities of scrutinized companies that fail to take action required by the Act with respect to their scrutinized activities within a specified period of time.

Because they face the same responsibilities, the Pennsylvania Treasury Department, the State Employees’ Retirement System, the Public School Employees’ Retirement System, and the Pennsylvania Municipal Retirement System (“the Four Funds”) have chosen to work together to comply with the Act. The Four Funds are coordinating their activities through the Pennsylvania Treasury Department.

This report is submitted on behalf of the Four Funds and has been prepared pursuant to the reporting requirements found in Act 44.

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## Primary Requirements of Act 44

The Act imposes a number of primary requirements on the Four Funds:

- File a written report with the United States Attorney General detailing the requirements contained in the Act. ([Appendix A](#))
- Identify and publicly disclose the lists of all companies with scrutinized activities in Sudan or Iran. ([Table 1a](#), [Table 1b](#))
- Notify companies on the scrutinized lists of their status, that they may become subject to divestment by the public fund, and what they can do to avoid divestment. ([Table 4](#))
- Provide scrutinized companies with an opportunity to respond and provide additional information regarding their activities. ([Table 5](#), [Table 6](#))
- Refrain from new investment in any scrutinized company's securities. ([Table 2](#))
- Divest scrutinized companies' securities within 26 months if the companies do not announce, by public notification, significant action to cease scrutinized activities within 180 days of having been notified of their status. ([Table 7](#))
- Monitor scrutinized companies that announce substantial action (*i.e.*, cessation of prohibited business operations) in regards to Iran or Sudan to ensure compliance. ([Table 7](#))
- Provide an annual report to the Governor; the President Pro Tempore of the Pennsylvania Senate; the Speaker of the Pennsylvania House of Representatives; and each member of the boards of the Pennsylvania Municipal Retirement System, the State Employees' Retirement System and the Public School Employees' Retirement System.

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## Definition of a Scrutinized Company

Act 44 calls for the development of two lists of companies that meet specified statutory criteria. These companies are designated as "scrutinized companies" and are subject to the requirements detailed in the Act. A company can be designated as a scrutinized company for activities in either Iran or Sudan, or in both.

A scrutinized company is defined in the Act as:

- 1) Any foreign company that has:
  - i. Invested at least \$20,000,000 in oil-related activities in Iran in any 12-month period since August 5, 1996;
  - ii. Supplied military equipment to the government of Iran within the 12-month period prior to the effective date of the Act; or
  - iii. Knowingly and intentionally violated the United States export controls with respect to Iran during the 12-month period prior to the effective date of the Act.
- 2) Any foreign company that meets the criteria set forth either in subparagraph (i) or (ii), below:
  - i. The company has business activities that involve contracts with or provision of supplies or services to the government of Sudan, companies in which the government of Sudan has any direct equity share, government of Sudan-commissioned consortiums or projects, or companies involved in government of Sudan-commissioned consortiums or projects; and
    - a) More than 10% of the company's revenue or assets linked to Sudan involve oil-related activities or mineral extraction activities; less than 75% of the company's revenues or assets linked to Sudan involve contracts with or provision of oil-related or mineral extracting products or services to the regional government of southern Sudan or a project or consortium created exclusively by that regional government; and the company has failed to take substantial action specific to Sudan; or
    - b) More than 10% of the company's revenues or assets linked to Sudan involve power production activities; less than 75% of the company's power production activities include projects whose intent is to provide power or electricity to the marginalized populations of Sudan; and the company has failed to take substantial action specific to Sudan.
  - ii. The company supplies military equipment within Sudan, unless it clearly shows that the military equipment cannot be used to facilitate offensive military actions in Sudan or the company implements rigorous and verifiable

safeguards to prevent use of that equipment by forces actively participating in armed conflict, for example, through post-sale tracking of such equipment by the company, certification from a reputable and objective third party that such equipment is not being used by a party participating in armed conflict in Sudan, or sale of such equipment solely to the regional government of southern Sudan or any internationally recognized peacekeeping force or humanitarian organization.

The term does not include a foreign company that is a social development company, defined by Act 44 as: "A company whose primary purpose in Iran or Sudan is to provide humanitarian goods or services, including medicine or medical equipment; agricultural supplies or infrastructure; educational opportunities; journalism-related activities; information or information materials; spiritual-related activities; services of a purely clerical or reporting nature; food, clothing or general consumer goods."

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## Independence of South Sudan and Impact on Act 44

On July 9, 2011, the Republic of South Sudan became an independent and sovereign state, gaining independence from Sudan. The newly formed Republic of South Sudan consists of the regional government excluded from the Act 44 definition of the government of Sudan. The area constituting South Sudan has also been exempt from the imposed trade embargo against Sudan originally declared by the U.S. government in 1997. The trade embargo was imposed due to Sudan's continued support for international terrorism, ongoing efforts to destabilize neighboring governments and multiple human rights violations.

Despite the creation of the new country, there remain several areas of concern regarding the region, including the reported ongoing violence in the Darfur region and the recent violence in the Southern Kordofan region. Sudan and South Sudan have yet to negotiate an agreement relative to oil revenue or control over Abyei, a border region both countries claim as their own.

Act 44 has a sunset clause that states:

A public fund shall have no obligations under this act with respect to a company engaged in business activities in Sudan upon the occurrence of any of the following:

- (1) The President or Congress of the United States declares Darfur genocide has been halted for at least 12 months.
- (2) Sudan does not appear on the list of State Sponsors of Terrorism.
- (3) The President or Congress of the United States declares that the government of Sudan has honored its commitments to cease attacks on civilians, demobilize and demilitarize the Janjaweed and associated militias, grant free and unfettered access for deliveries of humanitarian assistance and allow for the safe and voluntary return of refugees and internally displaced persons under the Sudan Accountability and Divestment Act of 2007 (P.L. 110-174, 121 Stat. 2516).
- (4) The President or Congress of the United States, through legislation or executive order, declares that mandatory divestment of the type provided for in this act interferes with the conduct of U.S. foreign policy.

On February 7, 2011, Secretary of State Hillary Rodham Clinton announced that the United States was initiating the process of removing Sudan from the State Sponsors of Terrorism list. The removal is contingent upon Sudan adhering to U.S. law and the 2005 Comprehensive Peace Agreement. The removal is also contingent upon resolution of the dispute over the Abyei region.

Sudan has not yet been removed from the State Sponsors of Terrorism List. Sudan's removal from the State Sponsors of Terrorism list would activate the 'sunset clause' found within Act 44 and the Four Funds would no longer have any obligations under the Act with respect to companies engaged in business activities in Sudan.

## Activities Timeline

Act 44 stipulates a set of activities to be conducted by the Four Funds as well as time frames for the execution of the activities. The following table provides the deadlines for these activities and the dates on which they were completed by the Four Funds.

### Timeline A: Fund Activities Timeline

Required Actions	Date Due	Action Taken
Within 30 days of the passage of the Act, administrators of the public fund shall file a written report to the United States Attorney General detailing the requirements contained in the Act.	08/01/2010	07/28/2010
Within 90 days after the effective date of the Act, a public fund shall make its best effort to identify all scrutinized companies in which the public fund has direct holdings	09/30/2010	07/07/2010
By the first meeting of a public fund following the 09/30/2010 imposed deadline, the public fund shall assemble all scrutinized companies that fit the criteria of the definition of "scrutinized company" into a Scrutinized Companies with Activities in Iran and/or Sudan List(s).	Various dates depending upon fund	10/27/2010
Within 120 days after the effective date of the Act, a public fund will send a written notice to identified companies. This notification will contain an explanation as to the reason of the company's inclusion on the scrutinized companies list as well as the potential for any related securities held by the public fund to be divested. It will also include a notice informing the company of the opportunity to clarify its scrutinized business activities and encouraging the company to cease its scrutinized activities.	10/30/2010	10/29/2010
Within one year of the creation of its scrutinized lists, a public fund will provide a report to the Governor; the President Pro Tempore of the Pennsylvania Senate; the Speaker of the Pennsylvania House of Representatives; and each member of the boards of the Pennsylvania Municipal Retirement System, the State Employees' Retirement System and the Public School Employees' Retirement System.	10/27/2011	9/30/2011

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## Response of Certain Public Funds

In response to the Act, the Four Funds agreed to coordinate their activities through the Pennsylvania Treasury Department. IW Financial, an independent third party research firm, was selected through a competitive bidding process to assist with various activities required by the Act.

### Methodology Used to Determine Scrutinized Companies

IW Financial, in consultation with the Four Funds, developed a methodology for creating two lists of scrutinized companies (Iran and Sudan lists).

In order to determine whether a company meets the criteria for inclusion on one or both of the scrutinized company lists, IW Financial applies the criteria from Act 44 to perform a review of companies with potential ties to Sudan and/or Iran. In the review process, IW Financial utilizes a variety of public sources, including:

- SEC Filings
- U.S. Government Agency Information (OFAC, EDGAR, EIA, etc.)
- News Wires and Trade Publications
- Industry Analysis
- Company Disclosures
- Non-Governmental Organization Reports
- Any Other Publicly Available Information

IW Financial produced the first scrutinized companies lists derived from this methodology in October 2010 and has updated them quarterly. The lists serve as the basis for screening the direct holdings of the Four Funds, the corporate engagement process, and divestment should that ultimately prove to be required, as specified by the Act.

### **Table 1a: Most Recent List of Scrutinized Companies Determined as Having Involvement in Sudan.**

The table below shows the list of scrutinized companies and the reason for inclusion as of 07/15/2011.

<b>COMPANY NAME</b>	<b>REASON FOR INCLUSION ON SUDAN SCRUTINIZED LIST</b>
Alstom	Government; Power Production
Andritz AG	Government; Power Production
Arabian Pipes Co.	Government; Oil-related Activity and Power Production
Aref Energy Holding Co. (K.S.C.C.)	Government; Oil-related Activity and Power Production
Asec Company for Mining	Government; Mineral Extracting Activity
Bauer AG	Government; Power Production
Bharat Heavy Electricals Ltd.	Government; Power Production
Bharat Petroleum Corporation Ltd.	Government; Oil-related Activity
China Gezhouba Group Co. Ltd.	Government; Power Production
China Petroleum & Chemical Corp.	Government; Oil-related Activity
Citadel Capital Co. SAE	Government; Oil-related Activity and Mineral Extracting Activity
Drake & Scull International PJSC	Government; Power Production
Egypt Kuwait Holding Co.	Government; Oil-related Activity
Egyptians Abroad for Investment & Development	Military Equipment
Egyptians Housing Development & Reconstruction	Military Equipment
El Sewedy Electric Co.	Government; Power Production
Electricity Generating	Government; Power Production
Energoinvest d.d.-Sarajevo	Government; Power Production
Essar Oil Ltd.	Government; Oil-related Activity
GDF Suez	Government; Power Production

<b>COMPANY NAME</b>	<b>REASON FOR INCLUSION ON SUDAN SCRUTINIZED LIST</b>
Harbin Power Equipment Co.	Government; Power Production
Hindustan Petroleum Corporation Ltd.	Government; Oil-related Activity
I.C.S.A. (India) Ltd.	Government; Power Production
Indian Oil Corporation Ltd.	Government; Oil-related Activity
KEC International Ltd.	Government; Power Production
Kencana Petroleum Bhd	Government; Oil-related Activity
KEPCO Plant Service & Engineering	Government; Power Production
La Mancha Resources Inc.	Government; Mineral Extracting Activity
LS Industrial Systems Co. Ltd.	Government; Power Production
MAN SE	Government; Oil-related Activity and Power Production
Mangalore Refinery & Petrochemicals Ltd.	Government; Oil-related Activity
Mitsubishi Corp.	Government; Oil-related Activity
Muhibbah Engineering (Malaysia) Bhd	Government; Oil-related Activity
Nam Fatt Corporation Bhd	Government; Oil-related Activity
Oil & Natural Gas Corporation Ltd.	Government; Oil-related Activity
Oil India Ltd.	Government; Oil-related Activity
Pjbumi Bhd	Government; Power Production
Progressive Impact Corporation Bhd	Government; Oil-related Activity and Power Production
Ranhill Bhd	Government; Oil-related Activity
Reliance Industries Ltd.	Government; Oil-related Activity
Schneider Electric	Government; Power Production
Scomi Group Bhd	Government; Oil-related Activity

COMPANY NAME	REASON FOR INCLUSION ON SUDAN SCRUTINIZED LIST
Shanghai Electric Group Co.	Government; Power Production
Sumatec Resources Berhad	Government; Oil-related Activity
Total S.A.	Government; Oil-related Activity
Videocon Industries Ltd.	Government; Oil-related Activity and Power Production

**Table 1b: Most Recent List of Scrutinized Companies Determined as Having Involvement in Iran.**

The table below shows the list of scrutinized companies and the reason for inclusion as of 07/15/2011.

COMPANY NAME	REASON FOR INCLUSION ON IRAN SCRUTINIZED LIST
Bharat Petroleum Corporation Ltd.	Oil-related investment of US \$20 million since 1996
China Petroleum & Chemical Corp.	Oil-related investment of US \$20 million since 1996
Daelim Industrial	Oil-related investment of US \$20 million since 1996
Gail (India) Ltd.	Oil-related investment of US \$20 million since 1996
Gazprom	Oil-related investment of US \$20 million since 1996
GS Engineering & Construction Corp.	Oil-related investment of US \$20 million since 1996
GS Holdings	Oil-related investment of US \$20 million since 1996
Gubre Fabrikalari T.A.S.	Oil-related investment of US \$20 million since 1996
Indian Oil Corporation Ltd.	Oil-related investment of US \$20 million since 1996
Inpex Corp.	Oil-related investment of US \$20 million since 1996
Japan Petroleum Exploration Co. Ltd.	Oil-related investment of US \$20 million since 1996
JGC Corp.	Oil-related investment of US \$20 million since 1996

<b>COMPANY NAME</b>	<b>REASON FOR INCLUSION ON IRAN SCRUTINIZED LIST</b>
L G International	Oil-related investment of US \$20 million since 1996
Liquefied Natural Gas Ltd.	Oil-related investment of US \$20 million since 1996
Maire Tecnimont S.p.A.	Oil-related investment of US \$20 million since 1996
Mitsui & Co. Ltd.	Oil-related investment of US \$20 million since 1996
Mitsui Engineering & Shipbuilding Co. Ltd.	Oil-related investment of US \$20 million since 1996
Motor Sich	Government; Military Equipment (July 2, 2009 - July 2, 2010)
Nagarjuna Fertilizers & Chemicals Ltd.	Oil-related investment of US \$20 million since 1996
Oil & Natural Gas Corporation Ltd.	Oil-related investment of US \$20 million since 1996
PetroChina Co. Ltd.	Oil-related investment of US \$20 million since 1996
Punj Lloyd Ltd.	Oil-related investment of US \$20 million since 1996
Sasol Ltd.	Oil-related investment of US \$20 million since 1996
Technip	Oil-related investment of US \$20 million since 1996
Tecnicas Reunidas	Oil-related investment of US \$20 million since 1996
Total S.A.	Oil-related investment of US \$20 million since 1996

## Table 2: List of Prohibited Investments

Act 44 prohibits the Four Funds from acquiring the securities of companies identified on the lists of scrutinized companies. The Act also requires a list of prohibited investments to be included in this report, separate from the most recent lists of scrutinized companies found in Tables 1a and 1b.

While the list of prohibited investments is essentially the scrutinized companies' lists combined, differences can be found in the recipients of the lists and the dates on which they are provided. IW Financial provides the lists of scrutinized companies to the Four Funds on a quarterly basis. The Four Funds disclose the lists as requested and annually in this report. Additionally, the lists of scrutinized companies are likely to change from quarter to quarter. A company may appear on a list of scrutinized companies in a given quarter, indicating any security of that company is a prohibited investment. That same company may then not appear on a list of scrutinized companies in subsequent quarters, indicating any security of that company is no longer a prohibited investment.

On a quarterly basis, the Four Funds provide a list of prohibited investments to their investment managers with instructions prohibiting the managers from purchasing securities of companies on the prohibited investments list. The instructions also direct attention to the companies that were added to or removed from the list since the preceding quarter. The following table presents all companies that have ever been on a quarterly scrutinized list during the year and the quarter(s) in which they appeared.

COMPANY	IRAN	SUDAN	OCT 2010 LIST	JAN 2011 LIST	APRIL 2011 LIST	JULY 2011 LIST
Alstom		x	x	x	x	x
Andritz AG		x	x	x	x	x
Ao Tatneft	x	x	x			
Arabian Pipes Co.		x	x	x	x	x
Aref Energy Holding Co. (K.S.C.C.)		x	x	x	x	x
Areva		x	x			
Asec Company for Mining		x	x	x	x	x
Ashok Leyland Ltd.	x		x	x		
Atkins (WS) plc		x	x	x		
Avichina Industry & Technology		x	x	x		
Bauer AG		x	x	x	x	x
Bharat Heavy Electricals Ltd.		x	x	x	x	x
Bharat Petroleum Corporation Ltd.	x	x	x	x	x	x
China Gezhouba Group Company Limited		x			x	x
China Petroleum & Chemical Corp.	x	x	x	x	x	x
Citadel Capital Co SAE		x	x	x	x	x

COMPANY	IRAN	SUDAN	OCT 2010 LIST	JAN 2011 LIST	APRIL 2011 LIST	JULY 2011 LIST
Cnooc Ltd.	X		X			
Daelim Industrial	X		X	X	X	X
Dietswell Engineering		X	X	X		
Drake & Skull International Pjsc		X	X	X	X	X
Egypt Kuwait Holding Co.		X	X	X	X	X
Egyptians Abroad for Investment & Development		X	X	X	X	X
Egyptians Housing Development & Reconstruction		X	X	X	X	X
El Sewedy Cables Holding Co.		X	X	X	X	X
Electricity Generating		X	X	X	X	X
Energoinvest d.d.-Sarajevo		X	X	X	X	X
Essar Oil Ltd.		X	X	X	X	X
Gail (India) Ltd.	X		X	X	X	X
Gazprom	X		X	X	X	X
GDF Suez		X	X	X	X	X
GS Engineering & Construction Corp.	X		X	X	X	X
GS Holdings	X		X	X	X	X
Gubre Fabrikalari T.A.S.	X			X	X	X
Harbin Power Equipment Co.		X	X	X	X	X
Hindustan Petroleum Corporation Ltd.		X	X	X	X	X
I.C.S.A (India) Ltd.		X	X	X	X	X
Ina-Industrija Nafta DD	X		X	X	X	
Indian Oil Corporation Ltd.	X	X	X	X	X	X
Inpex Corporation	X		X	X	X	X
Japan Petroleum Exploration Co., Ltd.	X		X	X	X	X
JGC Corporation	X		X	X	X	X
KEC International Ltd.		X	X	X	X	X
Kejuruteraan Samudra Timur Bhd		X	X	X		
Kencana Petroleum Bhd		X	X	X	X	X
KEPCO Plant Service & Engineering Co. Ltd.		X			X	X
Korea Plant Service & Engineering Co. Ltd.		X	X	X		

COMPANY	IRAN	SUDAN	OCT 2010 LIST	JAN 2011 LIST	APRIL 2011 LIST	JULY 2011 LIST
L G International	X		X	X	X	X
La Mancha Resources Inc.		X	X	X	X	X
Liquefied Natural Gas Ltd.	X		X	X	X	X
LS Industrial Systems Co., Ltd.		X	X	X	X	X
Maire Tecnimont S.p.A.	X		X	X	X	X
MAN SE		X	X	X	X	X
Managem		X	X	X		
Mangalore Refinery & Petrochemicals Ltd.		X	X	X	X	X
Mitsubishi Corp.		X	X	X	X	X
Mitsui & Co. Ltd.	X		X	X	X	X
Mitsui Engineering & Shipbuilding Co. Ltd.		X	X	X		
Mitsui Engineering & Shipbuilding Co. Ltd.	X				X	X
MOL Hungarian Oil and Gas Plc.	X		X	X	X	
Motor Sich	X		X	X	X	X
Muhibbah Engineering (Malaysia) Bhd		X	X	X	X	X
Nagarjuna Fertilizers & Chemicals Ltd.	X		X	X	X	X
Nam Fatt Corporation Bhd		X	X	X	X	X
Oil & Natural Gas Corporation Ltd.	X	X	X	X	X	X
Oil India Ltd.		X	X	X	X	X
ONA		X	X	X		
PetroChina Co. Ltd.	X		X	X	X	X
Petroleo Brasileiro S.A.	X		X			
Pjbumi Bhd		X	X	X	X	X
Progressive Impact Corporation Bhd		X	X	X	X	X
Punj Lloyd Ltd.	X		X	X	X	X
Ranhill Bhd		X	X	X	X	X
Reliance Industries Ltd.		X	X	X	X	X
Repsol YPF	X		X			
Royal Dutch Shell Plc	X		X	X	X	
Saag Consolidated (M) Bhd	X		X	X		

<b>COMPANY</b>	<b>IRAN</b>	<b>SUDAN</b>	<b>OCT 2010 LIST</b>	<b>JAN 2011 LIST</b>	<b>APRIL 2011 LIST</b>	<b>JULY 2011 LIST</b>
Sasol Ltd.	X		X	X	X	X
Schneider Electric		X	X	X	X	X
Scomi Group Bhd		X	X	X	X	X
Scott Wilson Group		X	X	X	X	
Shanghai Electric Group Co		X	X	X	X	X
Sojitz Corp.		X	X			
Sumatec Resources Berhad		X	X	X	X	X
Technip	X		X	X	X	X
Tecnicas Reunidas	X		X	X	X	X
Total S.A.	X	X	X	X	X	X
Toyo Engineering Corporation	X		X			
Videocon Industries Ltd.		X	X	X	X	X

**Table 3: Change Log for Scrutinized Lists**

As explained in the previous table, the lists of scrutinized companies are updated on a quarterly basis. Table 3 explains changes to the lists of scrutinized companies since October 2010.

COMPANY NAME	IRAN	SUDAN	CHANGE: REASON FOR CHANGE*	DATE OF CHANGE
Ao Tatneft	x		Removed from List: Past Involvement	1/15/2011
Ao Tatneft		x	Removed from List: Past Involvement	1/15/2011
Areva		x	Removed from List: Clarified Involvement	1/15/2011
Ashok Leyland Ltd.	x		Removed from List: Past Involvement	4/15/2011
Atkins (WS) plc		x	Removed from List: Past Involvement	4/15/2011
Avichina Industry & Technology		x	Removed from List: Past Involvement	4/15/2011
China Gezhouba Group Company Ltd.		x	Added to List: New Involvement: Government; Power Production	4/15/2011
Cnooc Ltd.	x		Removed from List: Clarified Involvement	1/15/2011
Dietswell Engineering		x	Removed from List: Clarified Involvement	4/15/2011
Gubre Fabrikalari T.A.S.	x		Added to List: New Involvement	1/15/2011
Ina-Industrija Nafta DD	x		Removed from List: Clarified Involvement	7/15/2011
Kejuruteraan Samudra Timur Bhd		x	Removed from List: Past Involvement	4/15/2011
KEPCO Plant Service & Engineering		x	Added to List: Formerly Korea Plant Service & Engineering Co. Ltd.	4/15/2011
Korea Plant Service & Engineering Co. Ltd.		x	Removed from List: Name change to KEPCO Plant Service & Engineering	4/15/2011
Managem		x	Removed from List: Acquired by private entity	4/15/2011
Mitsui Engineering & Shipbuilding Co. Ltd.		x	Removed from List: Past Involvement	4/15/2011
Mitsui Engineering & Shipbuilding Co. Ltd.	x		Added to List: New Involvement: Oil-related investment of US \$20 million since 1996	4/15/2011
MOL Magyar Olaj-es Gazipari Nyrt	x		Removed from List: Clarified Involvement	7/15/2011
ONA		x	Removed from List: Acquired by private entity	4/15/2011
Petroleo Brasileiro S.A.	x		Removed from List: Clarified Involvement	1/15/2011
Repsol YPF	x		Removed from List: Past Involvement	1/15/2011
Royal Dutch Shell Plc	x		Removed from List: Past Involvement	7/15/2011

COMPANY NAME	IRAN	SUDAN	CHANGE: REASON FOR CHANGE*	DATE OF CHANGE
Saag Consolidated (M) Bhd	x		Removed from List: Past Involvement	4/15/2011
Scott Wilson Group		x	Removed from List: Acquired by URS Corp.	7/15/2011
Toyo Engineering Corporation	x		Removed from List: Clarified Involvement	1/15/2011
Sojitz Corp.		x	Removed from List: Past Involvement	1/15/2011

\*This column reports the nature of any change in the status of a company (i.e., that it was either added to or removed from the list of scrutinized companies) and briefly describes the reason for the change (e.g., the activity or involvement with the terror-sponsoring state's government initially supporting inclusion on the list was no longer occurring; additional information corrected the initial impression on which inclusion was based; etc.).

## Engagement and Company Correspondence

Each company on the scrutinized lists was sent a written notice informing the company of its scrutinized company status, specifying the business activities responsible for that status, and explaining the implications of that status per the Act. Each company was invited to respond to this notification, either to clarify its activities or to inform the Four Funds of plans to cease its scrutinized involvement.

For the purposes of the correspondence there are two distinct categories of scrutinized companies: companies in which one or more of the funds have direct holdings and companies that are not held in any fund's portfolio. The principal difference in these two groups of companies is the consequences for their inclusion on a scrutinized list.

- The Four Funds are prohibited from any additional investment in companies that are directly held. In addition, these companies have 180 days following notification to announce significant action toward ceasing scrutinized activities or face divestment within 26 months after the 180-day period.
- The Four Funds are prohibited from initiating investment in companies that are not directly held.

Templates of the notice sent to the scrutinized companies in each of the above categories can be found in Appendix B.

### Table 4: Date of Written Notice Informing the Scrutinized Companies as to Their Status

Companies identified as having scrutinized activities in countries of concern were notified of their inclusion on a scrutinized list through a correspondence process. The table lists the companies, describes whether or not related securities were initially determined to be held by one or more of the Four Funds, and provides the date the notification was sent.

COMPANY NAME	IN HOLDINGS	NOT IN HOLDINGS	DATE OF NOTIFICATION
Alstom	x		10/29/2010
Andritz AG	x		10/29/2010
Ao Tatneft		x	10/29/2010
Arabian Pipes Co.		x	10/29/2010
Aref Energy Holding Co. (K.S.C.C.)		x	10/29/2010
Areva	x		10/29/2010
Asec Company for Mining		x	10/29/2010
Ashok Leyland Ltd.		x	10/29/2010
Atkins (WS) plc	x		10/29/2010
Avichina Industry & Technology		x	10/29/2010
Bauer AG	x		10/29/2010
Bharat Heavy Electricals Ltd.	x		10/29/2010

<b>COMPANY NAME</b>	<b>IN HOLDINGS</b>	<b>NOT IN HOLDINGS</b>	<b>DATE OF NOTIFICATION</b>
Bharat Petroleum Corporation Ltd.		x	10/29/2010
China Gezhouba Group Company Ltd.		x	7/19/2011
China Petroleum & Chemical Corp.	x		10/29/2010
Citadel Capital Co. SAE		x	10/29/2010
Cnooc Ltd.	x		10/29/2010
Daelim Industrial	x		10/29/2010
Dietswell Engineering		x	10/29/2010
Drake & Skull International Pjsc		x	10/29/2010
Egypt Kuwait Holding Co.		x	10/29/2010
Egyptians Abroad for Investment & Development		x	10/29/2010
Egyptians Housing Development & Reconstruction		x	10/29/2010
Electricity Generating		x	10/29/2010
El Sewedy Cables Holding Co.		x	10/29/2010
Energoinvest d.d.-Sarajevo		x	10/29/2010
Essar Oil Ltd.		x	10/29/2010
Gail (India) Ltd.	x		10/29/2010
Gazprom	x		10/29/2010
GDF Suez	x		10/29/2010
GS Engineering & Construction Corp.		x	10/29/2010
GS Holdings	x		10/29/2010
Gubre Fabrikalari T.A.S.		x	2/18/2011
Harbin Power Equipment Co.	x		10/29/2010
Hindustan Petroleum Corporation Ltd.	x		10/29/2010
I.C.S.A (India) Ltd.	x		10/29/2010
Ina-Industrija Nafta DD		x	10/29/2010
Indian Oil Corporation Ltd.		x	10/29/2010
Inpex Corporation	x		10/29/2010
Japan Petroleum Exploration Co. Ltd.	x		10/29/2010
JGC Corporation	x		10/29/2010
KEC International Ltd.		x	10/29/2010
Kejuruteraan Samudra Timur Bhd		x	10/29/2010
Kencana Petroleum Bhd		x	10/29/2010
Korea Plant Service & Engineering Co. Ltd./KEPCO	x		10/29/2010
L G International		x	10/29/2010
La Mancha Resources Inc.		x	10/29/2010
Liquefied Natural Gas Ltd.		x	10/29/2010
LS Industrial Systems Co., Ltd.		x	10/29/2010

<b>COMPANY NAME</b>	<b>IN HOLDINGS</b>	<b>NOT IN HOLDINGS</b>	<b>DATE OF NOTIFICATION</b>
Maire Tecnimont S.p.A.		x	10/29/2010
MAN SE	x		10/29/2010
Managem		x	10/29/2010
Mangalore Refinery & Petrochemicals Ltd.		x	10/29/2010
Mitsubishi Corp.	x		10/29/2010
Mitsui & Co. Ltd.	x		10/29/2010
Mitsui Engineering & Shipbuilding Co. Ltd.	x		10/29/2010
MOL Hungarian Oil and Gas Plc	x		10/29/2010
Motor Sich		x	10/29/2010
Muhibbah Engineering (Malaysia) Bhd		x	10/29/2010
Nagarjuna Fertilizers & Chemicals Ltd.		x	10/29/2010
Nam Fatt Corporation Bhd		x	10/29/2010
Oil & Natural Gas Corporation Ltd.	x		10/29/2010
Oil India Ltd.		x	10/29/2010
ONA		x	10/29/2010
PetroChina Co. Ltd.	x		10/29/2010
Petroleo Brasileiro S.A.	x		10/29/2010
Pjbumi Bhd		x	10/29/2010
Progressive Impact Corporation Bhd		x	10/29/2010
Punj Lloyd Ltd.		x	10/29/2010
Ranhill Bhd		x	10/29/2010
Reliance Industries Ltd.	x		10/29/2010
Repsol YPF	x		10/29/2010
Royal Dutch Shell Plc	x		10/29/2010
Saag Consolidated (M) Bhd		x	10/29/2010
Sasol Ltd.	x		10/29/2010
Schneider Electric	x		10/29/2010
Scomi Group Bhd		x	10/29/2010
Scott Wilson Group		x	10/29/2010
Shanghai Electric Group Co.		x	10/29/2010
Sojitz Corp.	x		10/29/2010
Sumatec Resources Berhad		x	10/29/2010
Technip	x		10/29/2010
Tecnicas Reunidas	x		10/29/2010
Total S.A.	x		10/29/2010
Toyo Engineering Corporation	x		10/29/2010
Videocon Industries Ltd.		x	10/29/2010

**Table 5: Correspondence from Companies Initially Determined as Directly Held by One or More of the Four Funds**

Companies notified of their inclusion on the lists of scrutinized companies have 180 days to respond and either clarify their involvement or submit a plan of substantial action for the cessation of scrutinized activities. Table 5 describes companies initially determined to be directly held by one or more of the Four Funds. It also shows when the companies responded to notification of their scrutinized status, whether the correspondence identified plans or actions to change their active involvement status, and what actions the Four Funds took (if any) due to the correspondence.

COMPANY NAME	IRAN	SUDAN	DATE RESPONDED	STATUS CHANGE	ACTIONS TAKEN
Alstom		x	11/18/2010	Plan to Cease Involvement	None
Areva		x	12/8/2010	Clarified Involvement	Removal from list
Bauer AG		x	12/15/2010	Plan to Cease Involvement	None
Cnooc Ltd.	x		6/12/2010	Clarified Involvement	Removal from list
Gazprom	x		12/1/2010	No Change	None
GDF Suez		x	1/28/2010	Plan to Cease Involvement	None
Inpex Corporation	x		11/22/2010	Plan to Cease Involvement	None
Japan Petroleum Exploration Co., Ltd.	x		2/23/2011; 5/16/2011	Plan to Cease Involvement	None
JGC Corporation	x		12/1/2010	Plan to Cease Involvement	None
MOL Hungarian Oil and Gas Plc.	x		4/26/2011; 7/15/2011	Clarified Involvement	Removal from list
Petroleo Brasileiro S.A.	x		11/5/2010	Past Involvement	Removal from list
Repsol YPF	x		1/4/2011	Past Involvement	Removal from list

COMPANY NAME	IRAN	SUDAN	DATE RESPONDED	STATUS CHANGE	ACTIONS TAKEN
Royal Dutch Shell Plc	x		2/2/2011	No Change	Removal from list
Sasol Ltd.	x		3/11/2011	No Change	None
Sojitz Corp.		x	11/26/2010	Past Involvement	Removal from list
Technip	x		11/30/2010	No Change	None
Total S.A.	x	x	11/30/2010; 3/29/2011	Sudan: No Change; Iran: Plan to Cease	Sudan: On list, Iran: Not Changed
Toyo Engineering Corporation	x		11/24/2010	Clarified Involvement	Removal from list

**Table 6: Correspondence from Companies Initially Determined as Not Directly Held by One or More of the Four Funds**

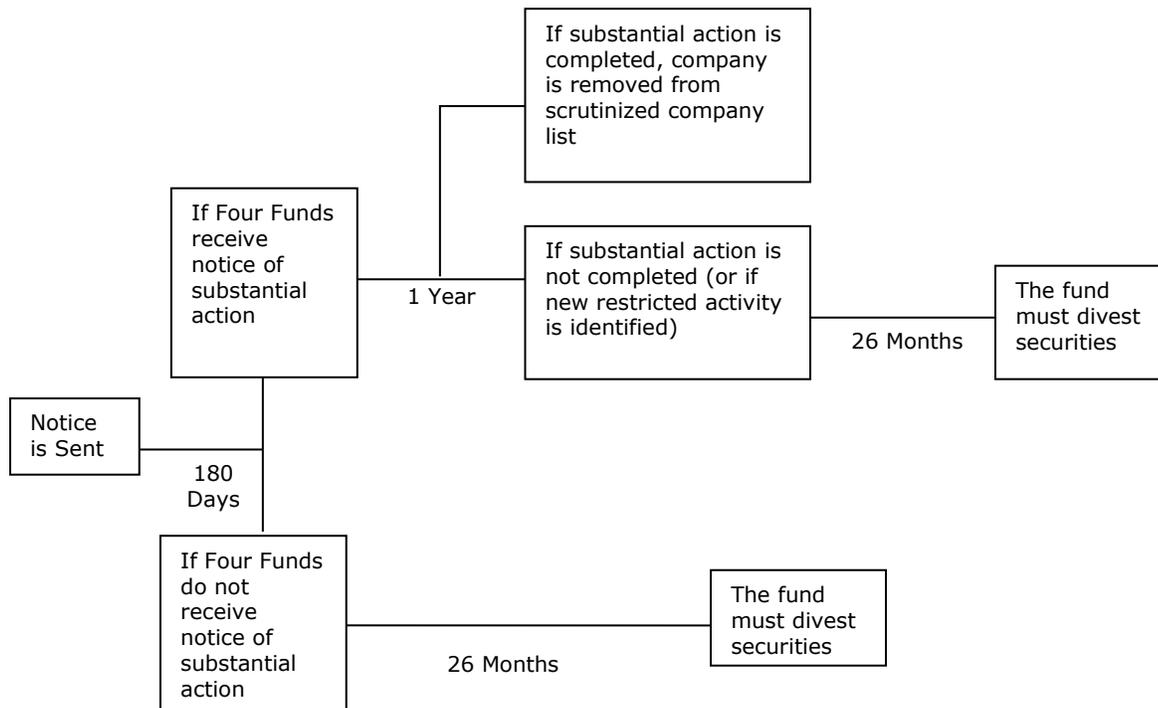
Table 6 lists companies that were initially determined to not be directly held by one of the Four Funds that have responded to the notification of scrutinized status, and what actions were taken (if any) due to their correspondence.

COMPANY NAME	IRAN	SUDAN	DATE RESPONDED	STATUS CHANGE	ACTIONS TAKEN
Ao Tatneft	x	x	12/6/2010	Past Involvement	Iran: Removal from list Sudan: Removal from list
Egyptians Abroad for Investment & Development		x	11/23/2010	No Change	None
Egyptians Housing Development & Reconstruction		x	11/23/2010	No Change	None
Ina-Industrija Nafta DD	x		4/14/2011; 7/15/2011	Clarified Involvement	Removal from list
Kencana Petroleum Bhd		x	12/15/2010	No Change	None

## Divestment Process and Activities

The Act lays out a process and timeline for divestment from any directly-held scrutinized company that fails to take significant action with regard to its involvement.

### Timeline B: Scrutinized Company Divestment Timeline



- When a scrutinized company is identified, a notice is sent advising the company as to its status. The notification provides an explanation of the reason for the company's inclusion on a list of scrutinized companies and of the potential for any related securities held by the public fund to be divested. The notice also informs the company of the opportunity to clarify its scrutinized business activities and encourages the company to cease its scrutinized activities.
- If within 180 days of the date of receipt of this notice the company announces by public disclosure substantial action (*i.e.*, publicizing and implementing a formal plan to cease scrutinized business activities within one year and refrain from any such new business activities), the public fund may maintain its holdings in securities relating to the scrutinized company. The company, however, will remain on the scrutinized company list(s) until the actual cessation of scrutinized business activities.
  - If the company fails to follow through with disclosed substantial action within one year, or if the company engages in new scrutinized business activities within a country of concern, then the fund will divest securities related to the scrutinized company within 26 months after expiration of the one-year period.

- If, however, the company does not announce by public disclosure within 180 days of the date of receipt of this notice substantial action (*i.e.*, publicizing and implementing a formal plan to cease scrutinized business activities within one year and refrain from any such new business activities), then the fund will divest securities related to the scrutinized company within 26 months.

### Table 7: Current Divestment Schedule of Scrutinized Companies

Certain companies have either not responded to the notices sent on behalf of the Four Funds by the Treasury Department or their responses have not yet met the requirements for removal from the Scrutinized Lists. The following table lists companies directly held by one or more of the Four Funds that are subject to being divested based upon this failure to respond or to provide an adequate response. The table also shows the date of the original notice, the date that an adequate response to the notice needed to be received, and the date by which all related securities held by one or all of the Four Funds may be divested.

This list also includes companies that have submitted a plan of substantial action to cease scrutinized activities in the country of concern. The Four Funds will monitor the companies' progress over the course of a year. If a company ceases all scrutinized activities within one year after receipt of a plan of substantial action, it will be removed from the scrutinized lists. If a company fails to follow through with disclosed substantial action within one year, or if a company engages in new scrutinized business activities within a country of concern, then the fund will divest securities related to that scrutinized company by the date indicated.

COMPANY NAME	IRAN	SUDAN	NOTICE SENT	180 DAY DEADLINE	DATE OF RESPONSE REGARDING SUBSTANTIAL ACTION	DIVESTMENT DEADLINE
Alstom		x	10/29/2010	4/27/2011	11/18/2010	1/18/2014
Andritz AG		x	10/29/2010	4/27/2011		6/24/2013
Daelim Industrial	x		10/29/2010	4/27/2011		6/24/2013
Gazprom	x		10/29/2010	4/27/2011		6/24/2013
GDF Suez		x	10/29/2010	4/27/2011	1/28/2011	3/28/2014
GS Holdings	x		10/29/2010	4/27/2011		6/24/2013
Inpex Corp.	x		10/29/2010	4/27/2011	11/22/2010	1/22/2014
Japan Petroleum Exploration Co. Ltd.	x		10/29/2010	4/27/2011	5/16/2011	7/16/2014

COMPANY NAME	IRAN	SUDAN	NOTICE SENT	180 DAY DEADLINE	DATE OF RESPONSE REGARDING SUBSTANTIAL ACTION	DIVESTMENT DEADLINE
JGC Corp.	x		10/29/2010	4/27/2011	12/1/2010	2/1/2014
MAN SE		x	10/29/2010	4/27/2011		6/24/2013
Mitsubishi Corp.		x	10/29/2010	4/27/2011		6/24/2013
Mitsui & Co. Ltd.	x		10/29/2010	4/27/2011		6/24/2013
Mitsui Engineering & Shipbuilding Co. Ltd.	x		10/29/2010	4/27/2011		6/24/2013
Oil & Natural Gas Corporation Ltd.	x		10/29/2010	4/27/2011		6/24/2013
PetroChina Co. Ltd.	x		10/29/2010	4/27/2011		6/24/2013
Reliance Industries Ltd.		x	10/29/2010	4/27/2011		6/24/2013
Sasol Ltd.	x		10/29/2010	4/27/2011		6/24/2013
Schneider Electric		x	10/29/2010	4/27/2011		6/24/2013
Technip	x		10/29/2010	4/27/2011		6/24/2013
Total S.A.	x	x	10/29/2010	4/27/2011	3/29/2011 (Iran)	5/29/2014

## Investment Transactions Related to Scrutinized Companies

Since October 2010, the Four Funds have advised their investment managers to make no new investments in the securities of any scrutinized company in order to comply with the Act's restrictions on new investments. The Act also requires the Four Funds to divest within 26 months their direct holdings in securities of companies that have not announced, by public disclosure, substantial action regarding cessation of their scrutinized activities within 180 days of notification. Act 44 directs the Four Funds to report all investments sold, redeemed, divested, or withdrawn in compliance with the Act.

At the time of preparation of this report, a number of companies remain engaged in substantial announced actions that anticipate a timely cessation of scrutinized activities. A number of companies, however, have failed to announce substantial action regarding cessation of scrutinized activities. Although the statutory deadline for making such an announcement has passed, the deadline for divestment of these scrutinized companies will not be reached for almost two more years. Accordingly, the Four Funds have not, to this point, directed any investment manager to divest the securities of any scrutinized company.

Nonetheless, investment managers for one or more of the Four Funds subsequently sold some securities of scrutinized companies that failed to announce substantial action by April 27, 2011. That date marked both the expiration of the 180 day deadline for these companies to announce such action and, consequently, the commencement of the 26 month window for mandatory divestment under Act 44. The Four Funds are unable to definitively attribute these sales to efforts intended to achieve divestment within the statutory scheme as opposed to market timing or other traditional considerations. In the interest of comprehensive disclosure, the Four Funds have chosen to provide these transactions in this report.

The table below shows the name of each scrutinized company sold that failed to announce substantial action, and the amount realized from those transactions, for the period between April 27, 2011 and June 30, 2011. It is important to note that the appearance of a scrutinized company on this table may signify only that one (or more) managers for one public fund chose to sell such securities. It does not mean that such public fund and/or another public fund does not continue to hold a position in any of the listed companies.

**Table 8: Investment Transactions Related to Scrutinized Companies**

SCRUTINIZED COMPANY	AMOUNT
Daelim Industrial	\$681,821.96
Gail India Ltd.	\$231,539.92
Reliance Industries Ltd.	\$721,283.31
<b>Total</b>	<b>\$1,634,645.19</b>

## Cost of Investments

Act 44 also requires this report to include investments sold, redeemed, divested or withdrawn in compliance with its Section 4(c) – concerning divestment requirements – as well as “the costs and expenses of such transfers and a determination of net gain or loss on account of such transactions incurred in compliance with the provisions of this act.” The prior section of this report and Table 8 describe certain transactions the Four Funds conducted that involved companies with scrutinized activities. As the prior report section also explains, however, the Four Funds are unable to characterize these transactions as having been conducted for the purpose of achieving compliance with Section 4(c). Accordingly, there are no net gains or losses, or costs and expenses arising from transactions creating such gains and losses, to report.

The Four Funds are provided the opportunity to make a claim for reimbursement for net losses, costs, and expenses incurred as a result of compliance with the Act. The Act directs the Secretary of Budget, in consultation with public funds, to establish annually a uniform method to be used to calculate gains and losses incurred as a result of compliance with the Act. The Four Funds then have until November 1<sup>st</sup> each year to submit a claim for reimbursement to the Secretary of the Budget.

The Four Funds have endorsed and presented to representatives of the Secretary of the Budget a methodology to fairly and accurately determine the economic impact of their actions taken to achieve compliance with Act 44. At time of publication, the Secretary of the Budget is considering a methodology to be used by the Four Funds to determine this amount.

## **Conclusion**

This report has been prepared in accordance with the requirements contained in Act 44 of 2010. The information found in this report is derived from a variety of data sources. IW Financial and the Four Funds believe this information to be accurate at the time of publication. Any discrepancies discovered after the publication of this report will be addressed in subsequent reports.

Any questions about this report should be directed to:

Pennsylvania Treasury Department  
101 Finance Building  
Harrisburg, PA 17120  
717.772.1830

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## Appendix A: Letter Sent to U.S. Attorney General Eric Holder and Acknowledgement



TREASURY DEPARTMENT  
COMMONWEALTH OF PENNSYLVANIA  
HARRISBURG, PA 17120

THE STATE TREASURER

July 28, 2010

Attorney General Eric H. Holder, Jr.  
U.S. Department of Justice  
950 Pennsylvania Avenue, NW  
Washington, DC 20530-0001

Dear Attorney General Holder:

I write to you pursuant to the Protecting Pennsylvania's Investments Act (Act 44 of 2010, hereinafter cited as "Act 44"), a state divestment law that controls direct holdings by public funds in companies that have a prohibited association with the nations of Sudan or Iran. I am providing this report in accordance with Act 44 and with the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010 (H.R. 2194, 111th Cong. Title II) § 202(e) and the Sudan Accountability and Divestment Act of 2007 (P.L. 110-174) §3.

Please accept this report from Pennsylvania Treasury, which is also acting on behalf of the other affected public funds that are required to provide you with a written report, namely the Pennsylvania State Employees' Retirement System, the Pennsylvania Public School Employees' Retirement System, and the Pennsylvania Municipal Retirement System. Each of these public funds has authorized me to act on its behalf in this regard.

The Pennsylvania Treasurer is statutorily designated as custodian of various funds deposited with the Commonwealth and is also authorized to invest on behalf of certain funds. Among the larger funds under the custody of the Treasurer is the Public School Employees' Retirement Fund, with assets currently of about \$46 billion, the State Employees' Retirement Fund, with assets currently of about \$25 billion, and the Pennsylvania Municipal Retirement Fund, with assets currently of about \$1.4 billion. The investments of each of these funds are managed and controlled by separate retirement boards that stand in a fiduciary relationship to their beneficiaries and are subject to a prudent investor standard of care.

Attorney General Eric H. Holder, Jr.  
Page Two  
July 28, 2010

Act 44 regulates and limits the Treasurer's and the pension boards' investment authority pertaining to investments in certain companies defined by the statute as "scrutinized companies" based upon their involvement or association with Sudan and Iran. In particular, Act 44 directs the Treasurer, the pension boards, and other public funds, as follows:

- Within 90 days, identify all scrutinized companies having business activities with either Sudan or Iran in which public funds are invested;
- Following the initial 90 day period, develop lists of all such scrutinized companies in each country;
- Provide written notice to each company on the scrutinized company lists advising the business that its business activities have resulted in a determination that it may become subject to divestment;
- Within 180 days of receipt of such written notice, if the notified company makes a public announcement indicating the intention of the company to cease activities with either Sudan or Iran, determine whether to remove the company from the scrutinized company list and maintain its investment; however,
- Within 180 days of receipt of such written notice, if the company has not made any public announcement concerning its intention to cease activities with either Sudan or Iran, the public fund shall completely divest its investment in the company within 26 months following the 180 day period.

Act 44 mandates additional monitoring and reporting requirements applicable to each Commonwealth public fund custodian. In addition, Act 44 permits scrutinized investments to continue or be reinstated under specific circumstances related to each nation's status as a state sponsor of terrorism pursuant to the federal Foreign Relations Authorization Act of 1988 and 1989.

A complete copy of Act 44 is attached for your consideration. Please do not hesitate to get in touch with me if you have questions or if we can be of assistance.

Sincerely,



Robert M. McCord  
State Treasurer



**U.S. Department of Justice**

Office of Intergovernmental and Public Liaison

950 Pennsylvania Avenue, NW, Room 1629  
Washington, DC 20530

RECEIVED  
OFFICE OF THE TRESURER  
2010 AUG 11 AM 10:24  
ROOM 129

August 9, 2010

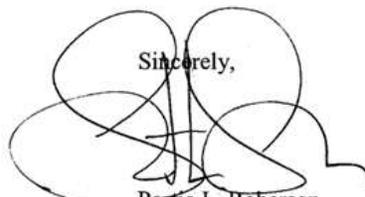
Mr. Robert M. McCord  
State Treasurer  
Treasury Department  
Commonwealth of Pennsylvania  
129 Finance Building  
Harrisburg, PA 17120

Dear Mr. McCord:

This is to acknowledge receipt of your letter to the Attorney General dated July 28, 2010 and the attached report on behalf of the Pennsylvania State Employees' Retirement System, the Pennsylvania Public School Employees Retirement System, and the Pennsylvania Municipal Retirement System. This report is in accordance with Act 44 and with the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010 (H.R. 2194, 111th Cong. Title II) and the Sudan Accountability and Divestment Act of 2007 (P.L. 110-174) 3.

Thank you for the information. If our office can be of assistance to you on this or other matters involving the Department, please do not hesitate to contact us. For more information about the Department of Justice, please visit our web site at [www.usdoj.gov](http://www.usdoj.gov).

Sincerely,



Portia L. Roberson  
Director

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## Appendix B: Letter Templates for Scrutinized Companies



Date

XXXXX

XXXXX

Dear Sir or Madam,

The Commonwealth of Pennsylvania recently enacted legislation (Act 44 of 2010) requiring the divestment of public funds from companies doing business in Iran and Sudan. Pennsylvania's public funds are required to divest from companies that have scrutinized business activities in Iran and/or Sudan that meet certain thresholds of activity. Additionally, the legislation prohibits Pennsylvania's public funds from purchasing securities from companies that appear on the scrutinized business activities list regardless of the funds' direct holdings in such companies.

IW Financial is assisting these four public funds in their efforts to comply with this legislation. As a consequence, IW Financial has developed a list of companies that satisfy the statutory definition of "scrutinized business activities" in Iran and/or Sudan. These ties may be through the activities of a subsidiary.

[Company] appears on the list as having scrutinized business activities in Iran, specifically [Involvement]. Additionally, [Company] appears on the list as having scrutinized business activities in Sudan, [Involvement]. Pennsylvania's public funds, specifically the Pennsylvania Treasury Department, the Public School Employees' Retirement System, the State Employees' Retirement System, and the Pennsylvania Municipal Retirement System have combined assets of over \$80 billion. Your status on the scrutinized business activities lists for Iran and/or Sudan prohibits the funds from purchasing securities in your company. Should your company wish to clarify its scrutinized activities, please contact IW Financial; contact information is provided below.

Whether or not you seek to clarify your involvement, we encourage you either to cease scrutinized business activities in both Iran and Sudan or convert such operations to inactive business activities in order to be removed from the scrutinized list, thereby enabling the funds to purchase your securities. The Pennsylvania public funds' scrutinized lists are updated quarterly. In addition, the funds are required to publicly disclose our findings in an annual report to the Governor, the Pennsylvania legislature, the public funds' boards, and the general public.

Should you have any questions regarding the Act and the criteria used to develop the list, you may access a copy of the statute at <http://www.legis.state.pa.us> (search under Bill # SB 928).

Please send all correspondence and any inquiries to:

Joseph I. Williams  
300 E. Main Street, Suite 301  
Johnson City, TN, 37604  
Joseph.Williams@iwfinancial.com

Thank you for your cooperation.

Sincerely,



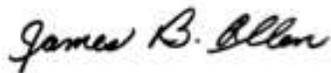
Robert M. McCord  
Pennsylvania Treasurer



Leonard Knapp  
Executive Director  
State Employees' Retirement System of Pennsylvania



Jeffrey Clay  
Executive Director  
Public School Employees' Retirement System of Pennsylvania



James Allen  
Secretary  
Pennsylvania Municipal Retirement System



Date

XXXXX

XXXXX

Dear Sir or Madam,

The Commonwealth of Pennsylvania recently enacted legislation (Act 44 of 2010) requiring the divestment of public funds from companies doing business in Iran and Sudan. Pennsylvania's public funds are required to divest from companies that have scrutinized business activities in Iran and/or Sudan that meet certain thresholds of activity.

The Pennsylvania Treasury Department is acting in conjunction with the state's other major public funds, specifically the Public School Employees' Retirement System, the State Employees' Retirement System, and the Pennsylvania Municipal Retirement System. In the aggregate, these four public funds have combined assets of over \$80 billion. IW Financial, assisting these four public funds in this effort, has developed a list of companies that satisfy the statutory definition of "scrutinized business activities" in Iran and/or Sudan. These ties may be through the activities of a subsidiary.

[Company] appears on the list as having scrutinized business activities in Sudan, specifically [Involvement]. Pursuant to the Act, we are sending you this written notice to inform you of your company's status as a scrutinized company and the fact that the securities of your company or a subsidiary may be subject to divestment by Pennsylvania's public funds. Should your company wish to clarify its scrutinized activities, please contact the Pennsylvania Treasury Department; contact information is provided below.

To avoid divestment, your company must either cease scrutinized business activities in Iran or convert such operations to inactive business. If no action is taken within 180 days of receipt of this notice, your company will remain on the list of scrutinized companies with active ties to Iran and be subject to divestment. The Pennsylvania public funds' scrutinized lists are updated quarterly. In addition, the funds are required to publicly disclose our findings in an annual report to the Governor, the Pennsylvania legislature, the public funds' boards, and the general public.

Should you have any questions regarding the Act and the criteria used to develop the list, please refer to the enclosed copy of the legislation, also available online at <http://www.legis.state.pa.us> (search under Bill # SB 928).

Please send all correspondence and any inquiries to:

Joseph I. Williams  
300 E. Main Street, Suite 301  
Johnson City, TN, 37604  
Joseph.Williams@iwfinancial.com

Thank you for your cooperation.

Sincerely,



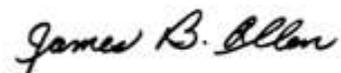
Robert M. McCord  
Pennsylvania Treasurer



Leonard Knepp  
Executive Director  
State Employees' Retirement System of Pennsylvania



Jeffrey Clay  
Executive Director  
Public School Employees' Retirement System of Pennsylvania



James Allen  
Secretary  
Pennsylvania Municipal Retirement System

## **Appendix C: Securities Held by Funds**

The Four Funds hold over 27,000 publicly and privately traded securities. Given the size of the list, and in the interest of saving paper, the Four Funds have chosen to include Appendix C in the online version of this report. The online version of this report can be found at [www.patreasury.org](http://www.patreasury.org). The list can also be obtained by contacting the Pennsylvania Treasury Department at 717-772-1830.