

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2151

(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Title 35, chapter 2, Arizona Revised Statutes, is amended
3 by adding article 7, to read:

4 ARTICLE 7. IRAN INVESTMENTS

5 35-391. Definitions

6 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

7 1. "COMPANY" MEANS ANY SOLE PROPRIETORSHIP, ORGANIZATION, ASSOCIATION,
8 CORPORATION, PARTNERSHIP, JOINT VENTURE, LIMITED PARTNERSHIP, LIMITED
9 LIABILITY PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY OR BUSINESS
10 ASSOCIATION THAT EXISTS FOR THE PURPOSE OF MAKING A PROFIT.

11 2. "DIRECT HOLDINGS" MEANS ALL SECURITIES OF A COMPANY THAT ARE HELD
12 DIRECTLY BY THE PUBLIC FUND OR IN AN ACCOUNT OR FUND IN WHICH THE PUBLIC FUND
13 OWNS ALL SHARES OR INTERESTS.

14 3. "GOVERNMENT OF IRAN" MEANS THE GOVERNMENT OF IRAN AND ITS
15 INSTRUMENTALITIES AND COMPANIES OWNED OR CONTROLLED BY THE GOVERNMENT OF
16 IRAN.

17 4. "INACTIVE BUSINESS ACTIVITIES" MEANS THE MERE CONTINUED HOLDING OR
18 RENEWAL OF RIGHTS TO PROPERTY PREVIOUSLY OPERATED FOR THE PURPOSE OF
19 GENERATING REVENUES, BUT NOT PRESENTLY DEPLOYED FOR SUCH A PURPOSE.

20 5. "INDIRECT HOLDINGS" MEANS ALL SECURITIES OF A COMPANY THAT ARE HELD
21 IN AN ACCOUNT OR FUND, SUCH AS A MUTUAL FUND, THAT IS MANAGED BY ONE OR MORE
22 PERSONS WHO ARE NOT EMPLOYED BY THE PUBLIC FUND IF THE PUBLIC FUND OWNS
23 SHARES OR INTERESTS TOGETHER WITH OTHER INVESTORS WHO ARE NOT SUBJECT TO THIS
24 ARTICLE.

1 6. "IRAN" MEANS THE ISLAMIC REPUBLIC OF IRAN.

2 7. "LIST" MEANS THE SCRUTINIZED COMPANIES WITH ACTIVITIES IN THE IRAN
3 PETROLEUM ENERGY SECTOR LIST THAT IS PRESCRIBED BY THIS ARTICLE.

4 8. "PETROLEUM RESOURCES" MEANS PETROLEUM OR NATURAL GAS.

5 9. "PUBLIC FUND" MEANS THE ARIZONA STATE RETIREMENT SYSTEM ESTABLISHED
6 BY TITLE 38, CHAPTER 5, ARTICLE 2, THE ELECTED OFFICIALS' RETIREMENT PLAN
7 ESTABLISHED BY TITLE 38, CHAPTER 5, ARTICLE 3, THE PUBLIC SAFETY PERSONNEL
8 RETIREMENT SYSTEM ESTABLISHED BY TITLE 38, CHAPTER 5, ARTICLE 4, THE
9 CORRECTIONS OFFICER RETIREMENT PLAN ESTABLISHED BY TITLE 38, CHAPTER 5,
10 ARTICLE 6 OR THE STATE TREASURER INVESTMENTS AUTHORIZED BY ARTICLE 2 OF THIS
11 CHAPTER.

12 10. "SCRUTINIZED BUSINESS ACTIVITIES" MEANS A BUSINESS ACTIVITY THAT
13 HAS RESULTED IN A COMPANY BECOMING A SCRUTINIZED COMPANY.

14 11. "SCRUTINIZED COMPANY" MEANS ANY COMPANY THAT ON OR AFTER AUGUST 5,
15 1996 HAS MADE, WITH ACTUAL KNOWLEDGE, AN INVESTMENT OF TWENTY MILLION OR MORE
16 DOLLARS IN ANY GIVEN YEAR IN IRAN'S PETROLEUM ENERGY SECTOR THAT DIRECTLY OR
17 SIGNIFICANTLY CONTRIBUTES TO THE ENHANCEMENT OF IRAN'S ABILITY TO DEVELOP THE
18 PETROLEUM RESOURCES OF IRAN.

19 12. "SUBSTANTIAL ACTION SPECIFIC TO IRAN" MEANS ADOPTING, PUBLICIZING
20 AND IMPLEMENTING A FORMAL PLAN TO CEASE SCRUTINIZED BUSINESS ACTIVITIES
21 WITHIN ONE YEAR AND TO REFRAIN FROM ANY NEW BUSINESS ACTIVITIES THAT WOULD
22 CAUSE THE COMPANY TO BECOME A SCRUTINIZED COMPANY.

23 35-392. Identification of scrutinized companies

24 A. WITHIN FORTY-FIVE DAYS AFTER THE EFFECTIVE DATE OF THIS ARTICLE,
25 THE PUBLIC FUND SHALL IDENTIFY ALL SCRUTINIZED COMPANIES IN WHICH THE PUBLIC
26 FUND HAS DIRECT OR INDIRECT HOLDINGS. SUCH EFFORTS INCLUDE REVIEWING AND
27 RELYING, AS APPROPRIATE IN THE PUBLIC FUND'S JUDGMENT, ON PUBLICLY AVAILABLE
28 INFORMATION REGARDING COMPANIES THAT HAVE INVESTED TWENTY MILLION OR MORE
29 DOLLARS IN ANY GIVEN YEAR ON OR AFTER AUGUST 5, 1996 IN IRAN'S PETROLEUM
30 ENERGY SECTOR, INCLUDING INFORMATION PROVIDED BY NONPROFIT ORGANIZATIONS,
31 RESEARCH FIRMS, INTERNATIONAL ORGANIZATIONS AND GOVERNMENT ENTITIES.

1 B. AT THE FIRST MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM BOARD,
2 THE FUND MANAGER OF THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM AND THE
3 STATE BOARD OF INVESTMENT FOLLOWING THE FORTY-FIVE DAY PERIOD PRESCRIBED IN
4 SUBSECTION A, THE PUBLIC FUND SHALL DISCLOSE ALL COMPANIES THAT ARE
5 SCRUTINIZED COMPANIES IN A SCRUTINIZED COMPANIES WITH ACTIVITIES IN THE IRAN
6 PETROLEUM ENERGY SECTOR LIST.

7 C. THE PUBLIC FUND SHALL ANNUALLY UPDATE THE LIST BASED ON INFORMATION
8 RECEIVED FROM ALL SOURCES, INCLUDING THOSE SOURCES PRESCRIBED IN
9 SUBSECTION A.

10 35-393. Required actions; engagement

11 A. FOR EACH COMPANY IN WHICH THE PUBLIC FUND HAS DIRECT HOLDINGS WITH
12 A COMPANY ON THE LIST, THE PUBLIC FUND SHALL SEND A WRITTEN NOTICE INFORMING
13 THE COMPANY OF THE COMPANY'S SCRUTINIZED COMPANY STATUS AND THAT THE COMPANY
14 MAY BECOME SUBJECT TO DIVESTMENT BY THE PUBLIC FUND. THE NOTICE SHALL INFORM
15 THE COMPANY OF THE OPPORTUNITY TO CLARIFY ITS IRAN RELATED ACTIVITIES AND
16 ENCOURAGE THE COMPANY, WITHIN NINETY DAYS, TO CEASE THE COMPANY'S SCRUTINIZED
17 BUSINESS ACTIVITIES OR CONVERT THE ACTIVITIES TO INACTIVE BUSINESS ACTIVITIES
18 IN ORDER TO AVOID QUALIFYING FOR DIVESTMENT BY THE PUBLIC FUND. THE PUBLIC
19 FUND SHALL SEND THE NOTICE NO LATER THAN ONE HUNDRED THIRTY-FIVE DAYS AFTER
20 THE EFFECTIVE DATE OF THIS ARTICLE.

21 B. IF, WITHIN NINETY DAYS AFTER THE PUBLIC FUND'S FIRST ENGAGEMENT
22 WITH A COMPANY PURSUANT TO SUBSECTION A, THE COMPANY ANNOUNCES BY PUBLIC
23 DISCLOSURE SUBSTANTIAL ACTION SPECIFIC TO IRAN, THE PUBLIC FUND MAY MAINTAIN
24 THE PUBLIC FUND'S DIRECT HOLDINGS, BUT THE COMPANY MUST REMAIN ON THE LIST
25 PENDING COMPLETION OF THE COMPANY'S CESSATION OF SCRUTINIZED BUSINESS
26 ACTIVITIES.

27 35-394. Required action; divestment

28 A. IF, AFTER NINETY DAYS FOLLOWING THE PUBLIC FUND'S ENGAGEMENT WITH A
29 COMPANY PURSUANT TO SECTION 35-393, THE COMPANY HAS NOT ANNOUNCED BY PUBLIC
30 DISCLOSURE SUBSTANTIAL ACTION SPECIFIC TO IRAN, OR THE PUBLIC FUND DETERMINES
31 OR BECOMES AWARE THAT THE COMPANY CONTINUES TO HAVE SCRUTINIZED BUSINESS
32 ACTIVITIES, THE PUBLIC FUND, WITHIN EIGHT MONTHS AFTER THE EXPIRATION OF THE

1 NINETY DAY PERIOD, SHALL SELL, REDEEM, DIVEST OR WITHDRAW ALL PUBLICLY TRADED
2 SECURITIES OF THE COMPANY FROM THE PUBLIC FUND'S DIRECT HOLDINGS.

3 B. IF THE PUBLIC FUND DETERMINES OR BECOMES AWARE THAT A COMPANY THAT
4 CEASED SCRUTINIZED BUSINESS ACTIVITIES FOLLOWING ENGAGEMENT PURSUANT TO
5 SECTION 35-393 HAS RESUMED THESE ACTIVITIES, THE PUBLIC FUND SHALL SEND A
6 WRITTEN NOTICE TO THE COMPANY PURSUANT TO SECTION 35-393 AND SUBSECTION A OF
7 THIS SECTION ALSO APPLIES. THE COMPANY SHALL ALSO BE IMMEDIATELY PLACED ON
8 THE LIST.

9 C. THE PUBLIC FUND SHALL MONITOR THE SCRUTINIZED COMPANY THAT HAS
10 ANNOUNCED BY PUBLIC DISCLOSURE SUBSTANTIAL ACTION SPECIFIC TO IRAN AND, IF
11 AFTER ONE YEAR THE PUBLIC FUND DETERMINES OR BECOMES AWARE THAT THE COMPANY
12 HAS NOT IMPLEMENTED SUCH A PLAN, WITHIN THREE MONTHS AFTER THE EXPIRATION OF
13 THE ONE YEAR PERIOD, SHALL SELL, REDEEM, DIVEST OR WITHDRAW ALL PUBLICLY
14 TRADED SECURITIES OF THE COMPANY FROM THE PUBLIC FUND'S DIRECT HOLDINGS. THE
15 COMPANY SHALL ALSO BE IMMEDIATELY PLACED ON THE LIST.

16 35-395. Prohibition against purchasing securities on the list

17 THE PUBLIC FUND MAY NOT ACQUIRE SECURITIES OF COMPANIES ON THE LIST.

18 35-396. Exceptions

19 NOTWITHSTANDING THIS ARTICLE, SECTION 35-394 DOES NOT APPLY TO THE
20 PUBLIC FUND'S INDIRECT HOLDINGS. THE PUBLIC FUND SHALL SUBMIT LETTERS TO THE
21 MANAGERS OF ANY MANAGED INVESTMENT FUND THAT CONTAINS COMPANIES ON THE LIST
22 REQUESTING THAT THE MANAGERS CONSIDER REMOVING THOSE COMPANIES FROM THE
23 MANAGED FUND OR CREATE A SIMILAR ACTIVELY MANAGED FUND HAVING INDIRECT
24 HOLDINGS THAT DO NOT CONTAIN THOSE COMPANIES. IF THE MANAGER CREATES A
25 SIMILAR FUND THAT DOES NOT CONTAIN THOSE SECURITIES OR IF THE FUNDS ARE
26 CREATED ELSEWHERE, WITHIN SIX MONTHS THE PUBLIC FUND SHALL DETERMINE WHETHER
27 TO REPLACE ALL APPLICABLE INVESTMENTS WITH INVESTMENTS IN THE SIMILAR FUND IN
28 AN EXPEDITED TIME FRAME THAT IS CONSISTENT WITH PRUDENT INVESTING STANDARDS.
29 FOR THE PURPOSES OF THIS SECTION, A PRIVATE EQUITY FUND IS DEEMED TO BE AN
30 ACTIVELY MANAGED INVESTMENT FUND.

1 35-397. Reporting

2 A. THE PUBLIC FUND SHALL SUBMIT A REPORT THAT CONTAINS THE LIST TO
3 EACH MEMBER OF THE ARIZONA STATE RETIREMENT SYSTEM BOARD, THE FUND MANAGER OF
4 THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM AND THE STATE BOARD OF
5 INVESTMENT, THE GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE
6 HOUSE OF REPRESENTATIVES WITHIN THIRTY DAYS AFTER THE LIST IS CREATED. THE
7 PUBLIC FUNDS SHALL PROVIDE A COPY OF THE REPORT TO THE SECRETARY OF STATE AND
8 THE DIRECTOR OF THE ARIZONA STATE LIBRARY, ARCHIVES AND PUBLIC RECORDS.

9 B. AT THE ANNUAL INVESTMENT MEETING OF THE ARIZONA STATE RETIREMENT
10 SYSTEM BOARD, THE FUND MANAGER OF THE PUBLIC SAFETY RETIREMENT SYSTEM AND THE
11 STATE BOARD OF INVESTMENT, THE PUBLIC FUND SHALL SUBMIT A REPORT THAT
12 INCLUDES:

13 1. A SUMMARY OF CORRESPONDENCE WITH COMPANIES ENGAGED BY THE PUBLIC
14 FUND PURSUANT TO SECTION 35-393.

15 2. ALL INVESTMENTS SOLD, REDEEMED, DIVESTED OR WITHDRAWN PURSUANT TO
16 SECTION 35-394.

17 3. ALL PROHIBITED INVESTMENTS PURSUANT TO SECTION 35-395.

18 4. ANY PROGRESS MADE PURSUANT TO SECTION 35-396.

19 5. A LIST OF ALL PUBLICLY TRADED SECURITIES HELD DIRECTLY BY THE
20 PUBLIC FUND.

21 C. THE PUBLIC FUND SHALL SUBMIT A COPY OF THE REPORT TO THE GOVERNOR,
22 THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES
23 ON OR BEFORE JANUARY 1 OF EACH YEAR AND SHALL PROVIDE A COPY OF THIS REPORT
24 TO THE SECRETARY OF STATE AND THE DIRECTOR OF THE ARIZONA STATE LIBRARY,
25 ARCHIVES AND PUBLIC RECORDS.

26 Sec. 2. Delayed repeal; condition; notice

27 A. Title 35, chapter 2, article 7, Arizona Revised Statutes, as added
28 by this act, is repealed on the earliest date that any of the following
29 occurs:

30 1. The Congress or President of the United States affirmatively and
31 unambiguously states, by means including legislation, executive order or
32 written certification from the President to Congress, that the government of

1 Iran has ceased to pursue the capabilities to develop nuclear weapons and
2 support international terrorism.

3 2. The United States revokes all sanctions imposed against the
4 government of Iran.

5 3. The Congress or President of the United States affirmatively and
6 unambiguously declares, by means including legislation, executive order or
7 written certification from the President to Congress, that mandatory
8 divestment of the type provided for in this act interferes with the conduct
9 of United States foreign policy.

10 B. The director of the Arizona state retirement system shall notify in
11 writing the director of the Arizona legislative council of this date."

12 Amend title to conform

JONATHAN PATON

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