



1 the board to request that the managers of such  
2 investment funds consider removing scrutinized  
3 companies from the fund or create a similar  
4 fund that excludes such companies; requiring  
5 the board to file a report to the Board of  
6 Trustees of the State Board of Administration  
7 and the Legislature within a specified period  
8 after creation of the Scrutinized Company List;  
9 requiring the annual filing of an updated  
10 report; requiring that all such reports be made  
11 available to the public; requiring that the  
12 report include certain information; providing  
13 for the expiration of the act; exempting the  
14 board from certain statutory or common law  
15 obligations; authorizing the board to cease  
16 divesting or to reinvest in certain scrutinized  
17 companies if the value of all assets under  
18 management by the board becomes equal to or  
19 less than a specified amount; requiring the  
20 board to file a written report to the Board of  
21 Trustees of the State Board of Administration  
22 and the Legislature before such reinvestment;  
23 requiring that the report contain certain  
24 information; requiring semiannual updates to  
25 such reports when applicable; providing for  
26 severability; providing an effective date.

27  
28 WHEREAS, a resolution of the United Nations Security  
29 Council imposes sanctions on Iran for its failure to suspend  
30 its uranium-enrichment activities, and  
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1           WHEREAS, the United Nations Security Council voted  
2 unanimously for an additional embargo on Iranian arms exports  
3 which is a freeze on assets abroad of an expanded list of  
4 individuals and companies involved in Iran's nuclear and  
5 ballistic missile programs and calls for nations and  
6 institutions to bar new grants or loans to Iran except for  
7 humanitarian and developmental purposes, and

8           WHEREAS, Iran's financial ability to pay its debts to  
9 foreign entities involved in the petroleum-energy sector  
10 amounting to more than \$20 million is put at risk by the Iran  
11 and Libya Sanctions Act embargo and sanctions, and

12           WHEREAS, foreign entities have invested in Iran's  
13 petroleum-energy sector despite United States and United  
14 Nations sanctions against Iran, and

15           WHEREAS, all United States and foreign entities that  
16 have invested more than \$20 million in Iran's energy sector  
17 since August 5, 1996, are subject to sanctions under United  
18 States law pursuant to the Iran and Libya Sanctions Act of  
19 1996, and

20           WHEREAS, United States renewed the Iran and Libya  
21 Sanctions Act of 1996 in 2001 and 2006, and

22           WHEREAS, while divestiture should be considered with  
23 the intent to improve investment performance and, by the rules  
24 of prudence, fiduciaries must take into account all relevant  
25 substantive factors in arriving at an investment decision, and

26           WHEREAS, divestiture from markets that are vulnerable  
27 to embargo, loan restrictions, and sanctions from the United  
28 States and the international community, including the United  
29 Nations Security Council, is in accordance with the rules of  
30 prudence, and  
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1           WHEREAS, the State of Florida is deeply concerned about  
2 investments in publicly traded companies that have business  
3 activities in and ties to Iran's petroleum-energy sector as a  
4 financial risk to the shareholders, and

5           WHEREAS, by investing in publicly traded companies  
6 having ties to Iran's petroleum-energy sector, the Florida  
7 State Board of Administration is putting the funds it oversees  
8 at substantial financial risk, and

9           WHEREAS, to protect Florida's assets, it is in the best  
10 interest of the state to enact a statutory prohibition  
11 regarding the investments managed by the State Board of  
12 Administration doing business in or with Iran's  
13 petroleum-energy sector, NOW, THEREFORE,

14  
15 Be It Enacted by the Legislature of the State of Florida:

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17           Section 1. (1) DEFINITIONS.--As used in this act, the  
18 term:

19           (a) "Active business operations" means all business  
20 operations that are not inactive business operations.

21           (b) "Business operations" means engaging in commerce  
22 in any form in Iran, including, but not limited to,  
23 acquiring, developing, maintaining, owning, selling,  
24 possessing, leasing, or operating equipment, facilities,  
25 personnel, products, services, personal property, real  
26 property, or any other apparatus of business or commerce.

27           (c) "Company" means any sole proprietorship,  
28 organization, association, corporation, partnership, joint  
29 venture, limited partnership, limited liability partnership,  
30 limited liability company, or other entity or business  
31 association, including all wholly owned subsidiaries,

1 majority-owned subsidiaries, parent companies, or affiliates  
2 of such entities or business associations, which exists for  
3 the purpose of making profit.

4 (d) "Complicit" means taking actions during any  
5 preceding 20-month period which have directly invested in the  
6 petroleum energy sector of Iran.

7 (e) "Direct holdings" in a company means all  
8 securities of that company which are held directly by the  
9 Public Fund or in an account or fund in which the Public Fund  
10 owns all shares or interests.

11 (f) "Inactive business operations" means the mere  
12 continued holding or renewal of rights to property previously  
13 operated for the purpose of generating revenues but not  
14 presently deployed for such purpose.

15 (g) "Indirect holdings" in a company means all  
16 securities of that company which are held in an account or  
17 fund, such as a mutual fund, managed by one or more persons  
18 not employed by the Public Fund, in which the Public Fund owns  
19 shares or interests together with other investors not subject  
20 to the provisions of this act.

21 (h) "Military equipment" means weapons, arms, military  
22 supplies, and equipment that readily may be used for military  
23 purposes, including, but not limited to, radar systems,  
24 military-grade transport vehicles, or supplies or services  
25 sold or provided directly or indirectly to any force actively  
26 participating in international terrorism.

27 (i) "Mineral-extraction activities" include exploring,  
28 extracting, processing, transporting, or wholesale selling or  
29 trading of elemental minerals or associated metal alloys or  
30 oxides (ore), including gold, copper, chromium, chromite,  
31 diamonds, iron, iron ore, silver, tungsten, uranium, and zinc,

1 as well as facilitating such activities, including, providing  
2 supplies or services in support of such activities.

3 (j) "Oil-related activities" include, but are not  
4 limited to, owning rights to oil blocks; exporting,  
5 extracting, producing, refining, processing, exploring for,  
6 transporting, selling, or trading of oil; constructing,  
7 maintaining, or operating a pipeline, refinery, or other  
8 oil-field infrastructure; and facilitating such activities,  
9 including providing supplies or services in support of such  
10 activities, except that the mere retail sale of gasoline and  
11 related consumer products is not considered an oil-related  
12 activity.

13 (k) "Petroleum resources" means petroleum, petroleum  
14 by-products, or natural gas.

15 (l) "Public Fund" means all funds, assets, trustees,  
16 and other designates under the State Board of Administration.

17 (m) "Scrutinized company" means the company has  
18 business operations that involve contracts with or provision  
19 of supplies or services to the Government of Iran, companies  
20 in which the Government of Iran has any direct or indirect  
21 equity share, consortiums or projects commissioned by the  
22 Government of Iran, or companies involved in consortiums or  
23 projects commissioned by the Government of Iran and:

24 1. More than 10 percent of the company's revenues or  
25 assets linked to Iran involve oil-related activities or  
26 mineral-extraction activities; less than 75 percent of the  
27 company's revenues or assets linked to Iran involve contracts  
28 with or provision of oil-related or mineral-extracting  
29 products or services to the Government of Iran or a project or  
30 consortium created exclusively by that government; and the  
31 company has failed to take substantial action; or

1           2. The company has, with actual knowledge, on or after  
2 August 5, 1996, made an investment of \$20 million or more, or  
3 any combination of investments of at least \$10 million each  
4 which in the aggregate equals or exceeds \$20 million in any  
5 12-month period, which directly or significantly contributes  
6 to the enhancement of Iran's ability to develop petroleum  
7 resources of Iran.

8           (n) "Substantial action" means adopting, publicizing,  
9 and implementing a formal plan to cease scrutinized business  
10 operations within 1 year and to refrain from any such new  
11 business operations.

12           (2) IDENTIFICATION OF COMPANIES.--

13           (a) Within 90 days after the effective date of this  
14 act, the Public Fund shall make its best efforts to identify  
15 all scrutinized companies in which the Public Fund has direct  
16 or indirect holdings or could possibly have such holdings in  
17 the future. Such efforts include:

18           1. Reviewing and relying, as appropriate in the Public  
19 Fund's judgment, on publicly available information regarding  
20 companies having business operations in Iran, including  
21 information provided by nonprofit organizations, research  
22 firms, international organizations, and government entities;

23           2. Contacting asset managers contracted by the Public  
24 Fund which invest in companies having business operations in  
25 Iran; or

26           3. Contacting other institutional investors that have  
27 divested from or engaged with companies that have business  
28 operations in Iran.

29           (b) By the first meeting of the Public Fund following  
30 the 90-day period described in paragraph (a), the Public Fund  
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1 shall assemble all scrutinized companies identified into a  
2 "Scrutinized Companies List."

3 (c) The Public Fund shall update the Scrutinized  
4 Companies List quarterly based on evolving information from,  
5 among other sources, those listed in paragraph (a).

6 (3) REQUIRED ACTIONS.--The Public Fund shall adhere to  
7 the following procedure for companies on the Scrutinized  
8 Companies List:

9 (a) Engagement.--

10 1. The Public Fund shall immediately determine the  
11 companies on the Scrutinized Companies List in which the  
12 Public Fund owns direct or indirect holdings.

13 2. For each company identified in this paragraph which  
14 has only inactive business operations, the Public Fund shall  
15 send a written notice informing the company of this act and  
16 encouraging it to continue to refrain from initiating active  
17 business operations in Iran until it is able to avoid  
18 scrutinized business operations. The Public Fund shall  
19 continue such correspondence semiannually.

20 3. For each company newly identified under this  
21 paragraph which has active business operations, the Public  
22 Fund shall send a written notice informing the company of its  
23 scrutinized company status and that it may become subject to  
24 divestment by the Public Fund. The notice must inform the  
25 company of the opportunity to clarify its Iran-related  
26 activities and encourage the company, within 90 days, to cease  
27 its scrutinized business operations or convert such operations  
28 to inactive business operations in order to avoid qualifying  
29 for divestment by the Public Fund.

30 4. If, within 90 days after the Public Fund's first  
31 engagement with a company pursuant to this paragraph, that



1 company ceases scrutinized business operations, the company  
2 shall be removed from the Scrutinized Companies List and the  
3 provisions of this act shall cease to apply to it unless it  
4 resumes scrutinized business operations. If, within 90 days  
5 after the Public Fund's first engagement, the company converts  
6 its scrutinized active business operations to inactive  
7 business operations, the company is subject to all provisions  
8 relating thereto.

9 (b) Divestment.--

10 1. If, after 90 days following the Public Fund's first  
11 engagement with a company pursuant to paragraph (a), the  
12 company continues to have scrutinized active business  
13 operations, and only while such company continues to have  
14 scrutinized active business operations, the Public Fund shall  
15 sell, redeem, divest, or withdraw all publicly traded  
16 securities of the company, except as provided in paragraph  
17 (d), from the Public Fund's assets under management within 12  
18 months after the company's most recent appearance on the  
19 Scrutinized Companies List.

20 2. If a company that ceased scrutinized active  
21 business operations following engagement pursuant to paragraph  
22 (a) resumes such operations, this paragraph immediately  
23 applies, and the Public Fund shall send a written notice to  
24 the company. The company shall also be immediately  
25 reintroduced onto the Scrutinized Companies List.

26 (c) Prohibition.--The Public Fund may not acquire  
27 securities of companies on the Scrutinized Companies List  
28 which have active business operations, except as provided in  
29 paragraph (d).

30 (d) Exemption.--A company that the United States  
31 Government affirmatively declares to be excluded from its

1 present or any future federal sanctions regime relating to  
2 Iran is not subject to divestment or the investment  
3 prohibition pursuant to paragraphs (b) and (c).

4 (e) Excluded securities.--Notwithstanding the  
5 provisions of this act, paragraphs (b) and (c) do not apply to  
6 indirect holdings in actively managed investment funds.

7 However, the Public Fund shall submit letters to the managers  
8 of such investment funds containing companies that have  
9 scrutinized active business operations requesting that they  
10 consider removing such companies from the fund or create a  
11 similar actively managed fund having indirect holdings devoid  
12 of such companies. If the manager creates a similar fund, the  
13 Public Fund shall replace all applicable investments with  
14 investments in the similar fund in an expedited timeframe  
15 consistent with prudent investing standards. For the purposes  
16 of this section, a private equity fund is deemed to be an  
17 actively managed investment fund.

18 (4) REPORTING.--

19 (a) The Public Fund shall file a report to each member  
20 of the Board of Trustees of the State Board of Administration,  
21 the President of the Senate, and the Speaker of the House of  
22 Representatives which includes the Scrutinized Companies List  
23 within 30 days after the list is created. This report shall be  
24 made available to the public.

25 (b) Annually thereafter, the Public Fund shall file a  
26 report, which shall be made available to the public, to each  
27 member of the Board of Trustees of the State Board of  
28 Administration, the President of the Senate, and the Speaker  
29 of the House of Representatives and send a copy of that report  
30 to the United States Presidential Special Envoy to Iran, or an  
31 appropriate designee or successor, which includes:

1           1. A summary of correspondence with companies engaged  
2 by the Public Fund under subparagraphs (3)(a)2. and 3.;

3           2. All investments sold, redeemed, divested, or  
4 withdrawn in compliance with paragraph (3)(b);

5           3. All prohibited investments under paragraph (3)(c);  
6 and

7           4. Any progress made under paragraph (3)(e).

8           (5) EXPIRATION.--This act expires upon the occurrence  
9 of any of the following:

10           (a) The United States revokes all sanctions imposed  
11 against the Government of Iran;

12           (b) The Congress or President of the United States  
13 declares that the Government of Iran has ceased to acquire  
14 weapons of mass destruction and to support international  
15 terrorism; or

16           (c) The Congress or President of the United States,  
17 through legislation or executive order, declares that  
18 mandatory divestment of the type provided for in this act  
19 interferes with the conduct of United States foreign policy.

20           (6) OTHER LEGAL OBLIGATIONS.--With respect to actions  
21 taken in compliance with this act, including all good faith  
22 determinations regarding companies as required by this act,  
23 the Public Fund is exempt from any conflicting statutory or  
24 common law obligations, including any such obligations with  
25 respect to choice of asset managers, investment funds, or  
26 investments for the Public Fund's securities portfolios.

27           (7) REINVESTMENT IN CERTAIN COMPANIES HAVING  
28 SCRUTINIZED ACTIVE BUSINESS OPERATIONS.--Notwithstanding any  
29 other provision of this act to the contrary, the Public Fund  
30 may cease divesting from certain scrutinized companies  
31 pursuant to paragraph (3)(b) or reinvest in certain

1 scrutinized companies from which it divested pursuant to  
2 paragraph (3)(b) if clear and convincing evidence shows that  
3 the value of all assets under management by the Public Fund  
4 becomes equal to or less than 99.50 percent, or 50 basis  
5 points, of the hypothetical value of all assets under  
6 management by the Public Fund assuming no divestment for any  
7 company had occurred under paragraph (3)(b). Cessation of  
8 divestment, reinvestment, or any subsequent ongoing investment  
9 authorized by this act is limited to the minimum steps  
10 necessary to avoid the contingency set forth in this  
11 subsection. For any cessation of divestment, reinvestment, or  
12 subsequent ongoing investment authorized by this act, the  
13 Public Fund shall provide a written report to each member of  
14 the Board of Trustees of the State Board of Administration,  
15 the President of the Senate, and the Speaker of the House of  
16 Representatives in advance of initial reinvestment, updated  
17 semiannually thereafter as applicable, setting forth the  
18 reasons and justification, supported by clear and convincing  
19 evidence, for its decisions to cease divestment, reinvest, or  
20 remain invested in companies having scrutinized active  
21 business operations. This act does not apply to reinvestment  
22 in companies on the grounds that they have ceased to have  
23 scrutinized active business operations.

24       Section 2. If any provision of this act or its  
25 application to any person or circumstance is held invalid, the  
26 invalidity does not affect other provisions or applications of  
27 the act which can be given effect without the invalid  
28 provision or application, and to this end the provisions of  
29 this act are severable.

30       Section 3. This act shall take effect upon becoming a  
31 law.

1                   STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN  
2                                   COMMITTEE SUBSTITUTE FOR  
3                                   Senate Bill 2250

4 This committee substitute provides for additional definitions  
5 of terms that together describe a scrutinized company whose  
6 equities may be the subject of divestiture by the Public Fund.

6 CS/SB 2250 requires that, within 90 days of the effective date  
7 of this act, the Public Fund must make a good faith effort to  
8 identify all scrutinized companies having business operations  
9 in Iran in which the Public Fund has direct or indirect  
10 holdings. For all such identified companies, the Public Fund  
11 shall begin a process of engagement, notifying such companies  
12 that they may become subject to divestiture unless they cease  
13 scrutinized business operations in Iran or convert such  
14 operations to inactive business operations. Companies that  
15 comply within 90 days of the Public Fund's engagement shall be  
16 removed from the scrutinized list and provisions of this act  
17 shall cease to apply.

13 If, after 90 days following the Public Fund's first  
14 engagement, scrutinized companies continue active business  
15 operations in Iran, the Public Fund shall divest itself of all  
16 publicly traded securities in these companies. The Public Fund  
17 is further prohibited from future acquisition of securities  
18 from companies which have active business operations in Iran.  
19 This substitute provides for an exemption for companies that  
20 have been excluded from present or future sanctions by the  
21 United States Government relating to Iran.

18 The committee substitute provides that the provisions of this  
19 act shall not apply to indirect holdings in actively managed  
20 investment funds. However, the Public Fund shall submit  
21 letters to these investment fund managers requesting that they  
22 consider removing scrutinized companies from fund holdings or  
23 creating a similarly managed fund having indirect holdings  
24 that are devoid of such companies. If such a fund is created,  
25 the Public Fund shall replace all applicable investments with  
26 those in the similar fund in an expedited manner consistent  
27 with prudent investing standards.

23 The Public Fund shall file a report of the Scrutinized  
24 Companies list within 30 days of its creation to each member  
25 of the Board of Trustees of the State Board of Administration,  
26 the President of the Senate, and the Speaker of the House of  
27 Representatives. Annually thereafter, the Public Fund shall  
28 file a report to the above members and the United States  
29 Presidential Special Envoy to Iran which includes a summary of  
30 correspondence with companies engaged by the Public Fund; all  
31 investments sold, redeemed, or divested; all prohibited  
investments; and any progress made with managers of indirectly  
held actively managed investment funds.

29 CS/SB 2250 provides for the expiration of this act upon the  
30 occurrence of any of the following: The United States revokes  
31 all sanctions imposed against the government of Iran;  
Congressional or Presidential declaration that the government  
of Iran has ceased to acquire weapons of mass destruction and  
to support international terrorism; or a Congressional or

1 Presidential declaration that mandatory divestment interferes  
2 with the conduct of United States foreign policy.

3 Further, it provides that the Public Fund is exempt from any  
4 conflicting statutory or common law obligations with respect  
5 to actions taken in good faith in compliance with this act. It  
6 also provides that the Public Fund may cease divesting from  
7 certain scrutinized companies if clear and convincing evidence  
8 shows that the value of all assets under management by the  
9 Public Fund becomes equal to or less than 99.5 percent of the  
10 hypothetical value of all assets under Fund management.

11 CS/SB 2250 provides for severability should any provision of  
12 this act be found invalid.

13 The committee substitute takes effect upon becoming law and  
14 remains effective until certain conditions are met.

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